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THE ECONOMIC IMPACT OF FEDERAL AIRLINE TRANSPORTATION POLICIES ON EAST TENNESSEE

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BEFORE THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

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THE ECONOMIC IMPACT OF FEDERAL AIRLINE TRANSPORTATION POLICIES ON EAST TENNESSEE

THURSDAY, MAY 30, 1985

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Knoxville, TN.

The hearing convened at 2:10 p.m., in the Administration Building conference room, Knoxville Airport, Knoxville, TN, Hon. Jim Sasser presiding.

Present: Senators Sasser and Gore.

Staff present: Lance Simmens, legislative assistant.

Senator SASSER. Let me begin by welcoming all of you here today and to state that the purpose of this hearing is to examine the impact of airline deregulation on east Tennessee. In particular, we will attempt to discern the impacts that deregulation has had on economic development here in the Knoxville area and in the Knoxville region.

Now, this is an issue in which I have been vitally interested for some time; Senator Gore shares this interest; and I welcome his participation in these hearings here today. I regret that Congressman John Duncan was unable to attend today, but he sends his regrets and his position on the House Ways and Means Committee has kept him in Washington this week because they are hearing testimony on the President's new tax reform proposals. Congressman Duncan did indicate that had the airline service been a little better to Knoxville, he thought he might have been able to make it here today. [Laughter.]

I do have a written statement from Congressman Duncan, which will be included in the record in full as if read.

[The statement of Congressman Duncan follows:]

STATEMENT OF CONGRESSMAN JOHN J. DUNCAN

THANK YOU FOR THIS OPPORTUNITY TO EXPRESS MY VIEWS ON THE FEDERAL AVIATION ADMINISTRATION AND AIR TRANSPORTATION IN THE UNITED STATES. AS A MEMBER OF THE WAYS AND MEANS COMMITTEE MY PAST DEALINGS WITH THE FAA HAVE BEEN LIMITED TO DISCUSSIONS OVER THE AIRPORT TRUST FUND. THE FUND RELIES ON REVENUES APPROVED BY THE COMMITTEE FOR AIRPORT IMPROVEMENT PROJECTS THROUGHOUT THE COUNTRY. THIS REVENUE IS RAISED THROUGH A VARIETY OF MEASURES INCLUDING AN AIRLINE TICKET TAX. THE FAA IS RESPONSIBLE FOR DISTRIBUTING THE FUNDS RAISED BY THIS TAX. IT SEEMS TO ME THAT THE PEOPLE WHO PAY THIS TAX, INCLUDING THE AIR TRAVELERS IN KNOXVILLE AND HUNTSVILLE, SHOULD HAVE SOME SAY IN HOW THESE FUNDS ARE USED, AND IN THE SERVICE PROVIDED FROM THESE AIRPORTS BY AIRLINES.

NATIONAL AIRPORT IS A CASE IN POINT. SCHEDULING COMMITTEES COMPOSED OF ALL CARRIERS ARE ALLOWED TO MAKE THE DECISION OF WHICH SLOTS ARE ASSIGNED TO WHICH AIRLINES. THE AIRLINES UNDER THIS ARRANGEMENT HAVE FAILED FOR THE PAST TWO YEARS TO AGREE ON AN ALLOCATION SCHEME. THIS HAS FROZEN THE ALLOCATION OF SLOTS AT NATIONAL AIRPORT. YET THE FAA HAS TAKEN NO ACTION TO BREAK THIS DEADLOCK.

THE RULES THAT GRANTED THE SCHEDULING COMMITTEES ANTITRUST IMMUNITY, ALSO DENY THE MEMBERS OF THESE COMMITTEES FROM CONSIDERING CITY-PAIR ROUTES OR MARKETS. THIS COMPLETELY LOCKS OUT THE AIR TRAVELERS AND THE COMMUNITIES THEY LIVE IN FROM THE SLOT ALLOCATION PROCESS. THIS WAS NOT THE INTENTION OF CONGRESS, NOR DO I THINK IT IS THE BEST MEANS OF HANDLING THE ALLOCATION OF SLOTS.

TODAY'S AIR TRAVELER FIND HE IS SUBJECT TO THE WHIMS OF THE AIRLINES, AND THE APATHY OF THE FEDERAL AVIATION ADMINISTRATION. NO CONSIDERATION IS GIVEN TO THE NEED FOR SERVICE TO A COMMUNITY WHICH IS VITAL TO NATIONAL SECURITY. THE DEPARTMENT OF ENERGY WORK IN OAK RIDGE, AND THE TENNESSEE VALLEY AUTHORITY OPERATING IN KNOXVILLE MAKE DIRECT WASHINGTON NATIONAL TO McGHEE TYSON FLIGHTS ESSENTIAL.

THE POINT THAT DISTURBS ME MOST ABOUT THIS ENTIRE MATTER IS THE FACT THE COMMUNITY NEEDS AND INTERESTS ARE IGNORED IN THE ALLOCATION OF SLOTS. NO CONSIDERATION IS GIVEN TO THE FACT THAT KNOXVILLE HELD A DIRECT FLIGHT TO NATIONAL AIRPORT FOR DECADES. NO CONSIDERATION IS GIVEN TO THE FEDERAL WORK FORCE IN KNOXVILLE AND THE NEED FOR DIRECT SERVICE TO WASHINGTON. INSTEAD WE ARE ASKED TO PUT UP WITH LAY OVERS IN ATLANTA, OR PITTSBURGH, OR CHARLOTTE. THIS MEANS TIME WASTED FOR OUR AIR TRAVELERS, AND IN THE CASE OF FEDERAL WORKERS IT MEANS TIME WASTED FOR THE FEDERAL GOVERNMENT.

I HOPE THIS HEARING WILL FOCUS ON THE IMPROVEMENTS WHICH CAN BE MADE TO OUR AIR TRANSPORTATION LAWS. IT IS MY BELIEF THAT WE SHOULD TAKE ACTION TO RESTORE THE RIGHTS OF SERVICE TO THE AIR TRAVELER. IN OUR DISCUSSIONS WITH THE FAA AND THE AIRLINES WE HAVE HEARD A GREAT MANY EXCUSES AND FINGERPOINTING, AND IN GENERAL GOTTEN THE RUN AROUND. THERE SHOULD BE A METHOD OF APPEAL FOR COMMUNITIES LIKE KNOXVILLE WHEN DIRECT AIR SERVICE IS TAKEN FROM A HIGH DENSITY AIRPORT. AS IT IS, OUR COMMUNITY AND ITS FUTURE, ARE HELD CAPTIVE BY THE AIRLINES. OUR HOPES FOR GROWTH AND INVESTMENT, AS WELL AS OUR DESIRE TO SERVE OTHERS HAVE, IN A SENSE, BEEN LAID OVER, AND WE ARE WAITING WITH FRUSTRATION FOR THE NEXT FLIGHT OUT.

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. Let me begin by saying that I recently asked the Congressional Research Service Economics Division to conduct a market survey on the impact of deregulation on airline fares and service between the city of Knoxville and several major destinations; and basically the studies conclude that over the past year, service at the Knoxville Airport has declined, using both numbers of departures and seat capacity as principal measurement indicators. For example, between December 1983 and December 1984, Knoxville witnessed a 17 percent drop in the number of seats available for departures from this city to major destinations.

The study also reveals that all standard coach and firstclass fares have increased faster than the rate of inflation over the past 8 years. For instance, since 1977, while inflation as measured by the CPI increased by 176 percent, the standard coach fare to Atlanta increased by a whopping 250 percent, from $32 to $112. The standard coach fare from Knoxville to Washington, DC, increased 249 percent, from $59 to $206.

AIRLINE DEREGULATION HAS ECONOMIC IMPACT ON EAST TENNESSEE

These facts indicate that some areas, such as Knoxville—and I know with certainty other areas in east Tennessee, have suffered adverse economic impacts under airline deregulation. These facts also indicate that some structural modifications or adjustment may be warranted to correct flaws in the regulatory system.

Now, over the past few months, the past 5 months to be precise, I have held a series of hearings under the auspices of the Budget Committee of the U.S. Senate across the State of Tennessee in an effort to determine the impact of Federal budget policies on economic development in our State. These hearings have been helpful in attempting to fashion legislative remedies to problems facing the local economy.

This hearing today in Knoxville is a continuation of my efforts and those of Senator Gore to take a serious look at the development and growth potential of Tennessee, given the changing complexities of our spending policies and priorities at the Federal level.

The first panel of witnesses will consist of representatives of business, who will discuss their perspectives on the loss of direct air service between Knoxville and Washington National Airport.

The second panel of witnesses will be asked to provide an overview of the impact of airline deregulation on the local economy from their perspective.

DIRECT AIR SERVICE TO NATIONAL AIRPORT LOST

Last October, Knoxville and the surrounding area lost direct air service to Washington's National Airport when United Airlines decided to discontinue the service it had provided to this area for over 30 years. National Airport is owned and operated by the Federal Aviation Administration. It is a high-density airport at which all landings and takeoffs fit into a total of 555 time slots per day.

Now, despite the authority of the Department of Transportation to allocate slots, the distribution of these slots is handed over to a

scheduling committee composed of representatives of the airlines, which has been deadlocked and unable to reach a decision on allocating slots for the past 18 months. So we have a situation where one of the two airports in this country owned, operated, and maintained by the Federal government delegates to the airlines the choice of those who may land or take off from that airport.

Over the past 2 years, 11 cities have lost direct service to National Airport. And our first panel will address this topic.

AIRLINE DEREGULATION ACT OPENED WAY TO FREE MARKET STRUCTURE

One word before I turn to my distinguished colleague, Senator Gore. The Airline Deregulation Act of 1978 virtually opened the way to a free market structure for an industry which had been previously operated in a highly protected and highly regulated environment. What has probably been the most remarkable change in the airline industry since the passage of the Airline Deregulation Act has been the development of the hub and spoke route structure. Those of us here in Knoxville know that our nearest hub is either Atlanta or Charlotte. This has effectively curtailed point-to-point service between cities, such as Knoxville and Washington, Knoxville and Chicago, Knoxville and New York.

The Congressional Research Service has concluded in its review of airline deregulation, and I quote, "as large airlines concentrated their service in hub and spoke systems they abandoned many smaller markets to regional and commuter carriers." The study continues by saying that "fares offered in these smaller markets are also substantially higher than those that were offered prior to deregulation."

I want to turn now to my colleague, Senator Gore, and see if he would like to make a statement.

OPENING STATEMENT OF SENATOR GORE

Senator GORE. Thank you very much, Jim.

I want to begin by thanking Senator Sasser for his leadership on the Budget Committee and scheduling this field hearing on the effect of air service abandonment of the Knoxville to Washington route. This is an extremely serious problem that we have both been attempting to solve for several months. I am hopeful that this hearing will be a turning point in our efforts to restore this service.

RESTORE QUALITY AIR SERVICE TO KNOXVILLE

Let me summarize the point of this hearing. We want to restore quality air service to Knoxville, because it is critical to the economic future of Knoxville and the surrounding counties. We want to build a case here today to demonstrate why a restoration of service is so important, and we want to help identify the obstacles that lie in the path of restoring service.

We are going to be looking at two clear questions. No. 1, what has been the effect of United's abandonment of the Knoxville to Washington service on this community? No. 2, why cannot the Federal Government do anything about it?

While we in the Congress had a distinct sense of the hardships and economic loss reflected in United's pullout, because we fre-

quently fly this route, it is vitally important that we gather the facts from civic leaders and local officials here in east Tennessee. If we are going to be able to build a strong case for intervention, we need to go straight to where the problem exists and get the facts. We want the Department of Transportation and the Air Transport Association people to see for themselves what a severe economic dilemma has been created by the airlines' refusal to serve this route and the Government's refusal to intervene.

Senator Sasser and I have been meeting regularly over the past several months with Federal officials and airline representatives to make the case for restoring this service. Congressman John Duncan has of course been heavily involved in this effort as well. Members of the Alabama congressional delegation have been actively participating, since Huntsville also lost service when United pulled out of this route.

What we have received so far has been, to put it mildly, a runaround. United has claimed that airline deregulation allows it to do whatever it pleases, serve whatever market it chooses, leave whatever cities it wants to leave, whenever it wants to, without any prior notice. In the case of the Knoxville to Washington service, it left Knoxville to use its landing slot at Washington National in order to dive into the fare wars between New York and Washington. It is ironic that the planes flying between Knoxville and Washington were almost always completely full.

MEETING MARKETPLACE DEMAND CLAIMED BY UNITED

United Airlines states that it is simply meeting the marketplace demand, but I find that hard to believe. I find it hard to believe that jumping into the fare wars with Peoples Airlines and New York Air and a dozen other carriers with loss leader fares, while abandoning a profitable, nearly always full service between Washington, Knoxville, and Huntsville makes very much economic sense.

If deregulation means economic chaos for communities in Tennessee and Alabama as well as airlines going bankrupt from their own self-destructive practices, then I believe we need to reexamine some aspects of the deregulation bill. In this case, it does not seem to be serving anyone.

Without Government intervention to restore service, it is clear that Knoxville is simply going to have to sell itself to one of the airlines, convince it that the Washington National to east Tennessee market is one that will be profitable, prove that there is a strong local base of support for the service, and show that it makes some sound economic sense to this market. However, I am not convinced that the Federal Government does not have the right to intervene in what has clearly been a disservice to this community and to at least 10 other communities across the country which have lost their only nonstop schedule air service to Washington National.

LANDING SLOTS CONTROLLED BY AIRLINES

Currently, as Senator Sasser has pointed out, landing slots at Washington National are controlled by the airlines themselves

through a scheduling committee which allocates openings. This committee operates as a result of a Department of Transportation directive but its authority is not at all clear. As we have attempted to determine the committee's authority, it has become clear that the scheduling committee acts only in the interests of the airlines without any regard whatsoever for the public interest and without any regard to the interests of the communities which rely on service to Washington National.

The airlines are getting together and dealing out the slots among themselves like poker chips in this great gamble called airline competition. The result has been abrupt route shifting, and predatory raids along the heaviest routes on the east coast and coast to coast, with several of the poker players, the airlines, now bankrupt or in deep trouble. Cities like Knoxville have been left out in the cold.

SLOT ALLOCATION COMMITTEES FAIL TO SERVE PUBLIC INTEREST

I have asked the Senate Commerce Committee, on which I serve to hold hearings to deal specifically with the failure of these slot allocation committees which serve the public interest. The Department of Transportation concedes that it had the authority to set up the committee and that it also has the authority to disband the committee. I am determined to find out what the Federal Government can do for a change. I will get the right agency, to see that the public interest comes first in these allocations not the self-destructive whims of the airlines. In addition, I have asked the General Accounting Office to conduct a special investigation into the activities of the slot allocation committee at Washington National Airport. We need to know exactly what authority the committee claims, then examine its policies and decisionmaking process, its potential conflicts of interest and its role in protecting the public interest.

I am hopeful that these hearings, the GAO investigation and most importantly the clear evidence from witnesses here in east Tennessee will make the case for restoring air service between Knoxville and Washington National.

In closing, I want to deeply thank my colleague, Jim Sasser, for his leadership and for his invitation to me to join this Budget Committee field hearing today. I want to thank the witnesses in advance who have joined us today and have taken the time to help us gather the facts that we can take back to Washington and use in our continued efforts to solve this problem.

Thank you.

Senator SASSER. Thank you, Al.

We have a very distinguished panel to begin this hearing: Mr. William Sansom, the president of the Knoxville Chamber of Commerce. He is also the chairman of the board of the First Tennessee Bank and has served with distinction in State government. Mr. Sansom helped found the Joint Three County Committee concerned with the development of the Knoxville area.

He is also joined by Mr. Eugene Joyce, the chairman of the Joint Three County Committee on Knoxville Air Service. Mr. Joyce is a distinguished attorney in Oak Ridge and serves as chairman of the board of the Energy Bank in Oak Ridge. He is a past president of

the Oak Ridge Chamber of Commerce and secretary of the Executive Committee of the Tennessee Technology Foundation.

Ms. Louise Dunlap is the assistant director of Public Relations for the Martin-Marietta Energy System. She is a former president of the east Tennessee Industrial Council. And lastly, Mr. William Willis, the General Manager of the Tennessee Valley Authority. Mr. Willis was appointed General Manager of the TVA in June 1979 and currently serves in that capacity. He is a civil engineer by training and presently serves as a member of the University of Tennessee Chancellor's Associates and is on the Board of Advisors of the University of Tennessee College of Engineering.

We thank you very much for appearing here today and we will lead off from my left to my right with Mr. Sansom.

STATEMENT OF WILLIAM SANSOM, PRESIDENT, KNOXVILLE CHAMBER OF COMMERCE, AND CHAIRMAN OF THE BOARD, FIRST TENNESSEE BANK

Mr. SANSOM. Thank you, Senator Sasser. Thank you, Senator Gore, for giving us the opportunity to speak to this issue; and we first want to say that we appreciate your time you spend in addressing an issue that is awfully important to us here in Knoxville in east Tennessee. We can tell from your opening statement that you have spent some time in it and we want to express our appreciation for that.

I have a short statement and then I have with me 47 letters from CEO's and heads of companies in the three-county area; and let me try to speak representing the Knoxville Chamber as well as the Oak Ridge Chamber and the Blount County Chamber, because as Senator Sasser said, we are working together in our regional development and this is obviously important to all of us.

I have these letters from 47 CEO's; they represent about 40,000 employees in this three-county area. We represent also about $4.6 billion in business activity and about $4 million in assets in our area; and they all kind of share the same concerns and I will mention four of the things that we think are important to us now in what we consider a fragile time for our regional area, if you will.

Things in this business of economic development are very competitive and tough and the differences between us and other parts of the country are not much and we need everything we can going for us. And we appreciate your comments, again, on the fact that we need to halt this deterioration of our passenger service in this area, and we need to make significant improvements to that service.

FOUR KEY DESTINATIONS NEED SERVICE FROM KNOXVILLE

Now, there are four key destinations as we look at ourselves that need service from Knoxville, where the bulk of our passengers go. And those are Atlanta, Chicago, Washington, and New York. Recently, as you know, we have lost direct service to Washington and also to New York. And we have lost 50 percent of the service we need in crucial cities for us to get to and do business out of the Knoxville area.

One of our pluses in Knoxville is our strategic location relative to 76 percent of the population of the country. And we need air traffic advantage in hooking up with that part of the country. We have the location from the ground transportation benefit of our location, but we need the air traffic advantage, too. And my final point I will make is the Rand-McNally survey that we have all heard a lot about in the last several years, about the places rated almanac, there are five factors considered and transportation, as you all know, is one of the nine factors considered in the overall judgment. But in transportation there are five factors considered in a community's transportation ratings; and I will mention those factors. Daily commuting time is one of the factors which, as all of you know around here, it is pretty nice the way we have it here in east Tennessee.

Public transportation; interstate highways. Until Lou Dunlap tried to get here today, we were doing real well there. Rail service and, of course, air transportation.

KNOXVILLE RANKS LOW IN TRANSPORTATION

In the 1984 ratings, Knoxville's second lowest rating in the nine categories was transportation. We were 151st out of 329 communities. The only factor that was lower than transportation in our area was education, and as all of you know, education is being addressed from a lot of fronts; and so we think—we appreciate again that somebody needs to address this transportation issue.

In spite of our low ranking in transportation—we were ranked 14th in this Rand McNally study—looking at the other communities that had a lower rank than we did, such as Columbia, SC, which ranked 119th, they ranked 25th in transportation. Charlotte, NC, ranked 60th overall; they ranked 34th in transportation. Nashville ranked 44th overall and 89th in transportation. Knoxville, with our 14th ranking, we were 151st again in transportation; and when you consider what we have got going for us, as you can see by this, we need to improve our air transportation service. We have even dropped in those ranks from when Bob Pierce did his study in our transportation rankings, and I do not think it is—we all know it is not from the interstate parts and the other parts, but we need the air transportation service in Knoxville and we appreciate you all giving us the time to be here.

Senator SASSER. Thank you very much, Mr. Sansom. And the letters that you alluded to from the various chief executive officers will be incorporated in the record.[1]

[The prepared statement of Mr. Sansom follows:]

[1] See p. 52.

THE GREATER KNOXVILLE CHAMBER OF COMMERCE

The Office of
The President

I am Bill Sansom, Chairman of the H. T. Hackney Company and President of the Greater Knoxville Chamber of Commerce. I am here today representing not only our Chamber of Commerce, but the Chambers in Oak Ridge and Blount County, with whom we have joined in a collective effort to promote improvement of air service to and from McGhee Tyson Airport.

I have with me today letters from over forty-seven CEO's of companies in our three county area who are all vitally interested in the restoration of direct service to Washington National Airport and the overall upgrading of our air service. These CEO's represent companies with over 40,000 employees; over $4.6 billion in business activity and over $4 billion in total assets in the Greater Knoxville area.

On behalf of these companies and our three Chambers of Commerce, I would like to make these points:

1. It's vital to the economic well-being of the Greater Knoxville area to halt deterioration of passenger air service and to make significant improvements on certain routes.

2. Four key destinations for the Knoxville market area are Atlanta, Chicago, Washington, and New York. With the abandonment of direct service to Washington and New York by United and American airlines we find ourselves without service to half of these key destinations.

3. One of Knoxville's key selling points is its strategic location to 76% of the United States' market. Without convenient accessibility by air, our location advantage is significantly diminished.

4. In Rand McNally's Places Rated Almanac five factors are considered in a community's transportation rankings. They are daily commuting time, public transportation, interstate highways, rail service, and air service. In the 1984 rankings, Knoxville's second lowest ranking in the nine categories was transportation which was 151 out of 329 metropolitan statistical areas. The only factor lower than

transportation in our ranking was education at 174. In spite of the relatively low transportation ranking, Knoxville's overall ranking was 14th. In looking at other communities that a have much lower overall rank than Knoxville's, we see they have a much higher rank in transportation. For example: Columbia, South Carolina ranks 119th overall but 25th in transportation. Memphis ranks 78th overall and 28th in transportation. Charlotte, ranks 60th overall but 34th in transportation. Nashville ranks 44th overall and 89th in transportation. Knoxville ranks 14th overall and 151st in transportation. When considering these statistics, it is clear the two areas in which Knoxville needs to make progress in order to achieve even higher overall rankings is is the areas of education and transportation.

Senator SASSER. We will next hear from Mr. Joyce.

STATEMENT OF EUGENE JOYCE, CHAIRMAN, JOINT THREE COUNTY COMMITTEE ON KNOXVILLE AIR SERVICE, OAK RIDGE, TN

Mr. JOYCE. Thank you, Senator.

This is a pleasure and I would like to associate my remarks with Mr. Sansom's in thanking both of you for being here and I was so surprised and pleased and refreshed to see that you already knew so much about something that we have been working on and also that you have done so much already.

The problem of the National Airport is a media problem that we are working on. We are also working on the longer-range problem in parallel with this, that first we must get that slot if we are to do what we have been doing here for 30 years. You know, we sort of grew up thinking it was automatic to have daily transportation, the shuttle to Washington. I cannot remember when we did not have it. Now it is hard to live without it.

VIABLE AIRPORT NEEDED

But in parallel with that we realize that for the continued economic development, regional development here, we must have an actual airport that is going to be viable for a long time.

In Oak Ridge, it has been a real body blow out there; you know, we are sort of Science City, USA, and it was harmful to our complex. We have some 20,000 employees out there spending some $3.1 billion in an operating budget. We have more scientists and engineers per capita than any town in America. We have more scientists than Harvard, believe it or not; we have nearly 3,000 Ph.D.'s in the Oak Ridge area, and the largest national laboratory in America. Well, we are going into bad times, as we know, out there. So our efforts, however, to diversify is now being crippled by not having this flight like we had used.

All sections of the country now must have good excellent air transportation. Site selectors of corporations quickly evaluate an area before they come to it. Some ask why—how many people have you lost? Well, we do not get to that threshold even. The threshold issue is are they going to come here and they look at our air flight schedule and if we do not have it, we do not even know about those people. So it is a situation that is growing desperate for us. However, with our great DOE and TVA here, we need a private diversified tax base probably more than any section of the country; and that is the thing we are being hampered in.

AIR SERVICE VITAL TO INDUSTRIES

You know, in the early days of our industrial development we first centered around harbors and seaports and then we went inland and went around river ports. Then there was railroad centers and then cheap labor and raw materials; but today, in this age of high technology, industry seeks centers of educational excellence, research centers and excellent air service.

In the top 20 corporations in time and money recently made a survey and they found that 80 percent of 500 U.S. firms would not

locate in an area that did not have easily accessible air transportation. The Executive Committee of the Tennessee Technology Corp., upon which I serve, learned these facts very dramatically firsthand when we were setting up the authority and we visited Silicon Valley, the Triangle in North Carolina, Route 128 in Massachusetts, Dallas-Fort Worth and what not, and we learned quickly it is no longer normal transportation, cheap labor or railroad centers. It is the air travel. It is not only important and essential, it is absolutely vital.

Today's scientists and engineers and management teams travel constantly and daily to the point that ground transportation must be important. We found that out today. Companies that diversify need to move their personnel quickly and they cannot do it unless they are even near an airport. You know, I have noticed in traveling around that most high-tech centers not only are close to the airport; some of them are right up next to the concrete.

You know, there is an axiom that if you do not grow you will atrophy and die. And this dramatic area of moving transportation from different areas to another, I think that applies here. Not that we are atrophying affirmatively, but we are atrophying negatively and if we do not grow and compete with such places as Charlotte and Durham and Raleigh and those areas, we are going to wither on the vine. So we have got a double problem. We have got to keep up and we have got to stay where we are. We cannot just stay on the escalator; we have to move forward on it.

HUB EXPANSION POSSIBILITIES BEING STUDIED

So the chamber committee that Mr. Sansom referred to and which I chair is working on the possibilities of helping the hub expand. We have a committee working and we hope to hire a consultant to work with the airport authority and get some ideas as to exactly what we could do on the long-range arrangement that way.

We here in this region have a multibillion-dollar annual budget with TVA and DOE; we have the largest utility in the world; the most diversified national laboratory in the world; a great State university; and the most visited national park in America; and unless we work successfully to do what I am talking about, I think by the time we get that much discussed airport, our road to the airport, the Pellissippi Extension, we might have only a commuter airport to come to; and it is insidious; it is invisible, but it is grossly important that we work on it and we are grateful to you men for coming here and helping us with a serious problem.

Senator SASSER. Thank you, Gene. And we will have some questions for both you and Mr. Sansom momentarily. But let us move on now and hear from Ms. Dunlap from Martin-Marietta.

STATEMENT OF LOUISE DUNLAP, ASSISTANT DIRECTOR OF PUBLIC RELATIONS, MARTIN-MARIETTA ENERGY SYSTEMS

Ms. DUNLAP. Senator Sasser, Senator Gore, I apologize for being late today. Maybe we could discuss some helicopter transportation from Oak Ridge until our 40 renovations get completed. But I am here to present a statement for Mr. Kenneth Dromalo, who is president of Martin-Marietta Energy Systems, and who is intensely

interested in this subject and would like to have been here except for out-of-town business today.

Martin-Marietta Energy Systems, as you know, has been since April 1, 1984, the operator of three major Department of Energy facilities in Oak Ridge and one in Paducah, KY. As such, Martin-Marietta is the largest employer in the Knoxville area and one of the largest in the State. We have a total of approximately 16,000 employees at three Oak Ridge facilities; and these include the Oak Ridge National Laboratory that you have heard referred to already, which is one of the Nation's largest multipurpose research and development centers; the Y-12 plant which is engaged in weapons production and the gaseous diffusion plant which is a center for research and development on advanced enrichment technology and production of enriched uranium.

DIRECT AIR SERVICE TO WASHINGTON IMPORTANT TO MARTIN-MARIETTA

The largest Department of Energy field office, which employs more than 800 people and oversee the operations in Oak Ridge and Paducah, Portsmouth, OH, and other locations, is also located in Oak Ridge. We are particularly pleased to be invited to make input into this hearing because the question of direct air service to Washington is an important concern to Martin-Marietta and to the other businesses in this area. The programs for which Martin is responsible in Oak Ridge are authorized and funded by Congress. And this fact, plus the necessity for close interaction with DOE Headquarters makes frequent travel to the Washington area necessary for successful operation of our business.

In addition, the Martin-Marietta corporate headquarters are located in Bethesda, MD, and that also increase the frequency to travel to the Washington area.

In fiscal year 1984, for example, employees of Martin-Marietta and the DOE Oak Ridge operations office made 3,700 round trips to Washington. Prior to November, when United discontinued direct service, this is normally a 1-hour flight or a 2-hour round trip. Today, the round trip air flight timed, which includes plane changes, consumes 4 to 6 hours; not only does this have a depressing effect on the traveler, but each additional hour off the job for these 3,700 people represents a cost of more than $80,000 for the company and subsequently to U.S. taxpayers.

In addition, the average cost of nondirect flights is approximately $60 more per round trip, which represents an additional cost of more than $200,000 per year. These figures that I use, this 60, is based on a comparison of fares which were charged to us for direct versus nondirect flights in October 1984 and that does not take into account any special fare pricing.

DOE and Martin-Marietta employees are certainly not unique with respect to requirements to travel frequently for business reasons. I checked with just one of the travel agencies in Oak Ridge, one that books arrangements for many of the private companies that revealed that they schedule 50 to 55 round trips per week or, 2,700 trips per year to the Washington area.

LACK OF CONVENIENT AIR SERVICE WEAKENS INDUSTRIAL POTENTIAL

In addition to business, truly business reasons, I would like to reemphasize some of the comments that both Mr. Joyce and Mr. Sansom made, and that relates to Martin's interest in industrial development in this area.

When they became the operator for the Oak Ridge facility, we made a commitment to foster and promote area growth and development. To this end, we have established this year the Tennessee Innovation Center, which has a mission to identify technologies with commercial potential and to assist in transferring those technologies to the private sector, and also just this month we have purchased from the city of Oak Ridge a 300-acre parcel of land that we will redevelop into a multipurpose industrial park and which will be marketed to expanding companies throughout the country. The lack of convenient air transportation weakens this area's industrial potential and the need will become more critical, I think, as industrial development occurs here.

At the present time, the only airport capable of handing commercial air traffic is McGhee-Tyson. Tri-Cities and upper east Tennessee is more than 2 hours away; Chattanooga to the South is 2 hours; and Nashville to the West is 3 hours. So the McGee-Tyson facility serves a wide area of commercial air traffic in east Tennessee.

As a major employer in this area, Martin-Marietta is committed to working with other groups to assist in assisting this area to realize its full growth potential, to firmly establishing the Tennessee Technology corridor and to promoting the recognition of Tennessee as a high-technology state.

As I have stated before, convenient air transportation is going to be a critical factor in accomplishing these objectives. The service now available is a deterrent to economic growth, a hardship to travelers, and wasteful to the taxpayers. And I would like to conclude and add to the comments that are already made that we very much appreciate your interest in the subject and the fact that you have made time available to hear our concerns today and the time you have already spent on the subject and we pledge our support to help you in any way we can to improve this service here.

Thank you very much.

Senator SASSER. Thank you very much, Ms. Dunlap. We will hear now from Mr. Bill Willis.

STATEMENT OF WILLIAM WILLIS, GENERAL MANAGER, TENNESSEE VALLEY AUTHORITY

Mr. WILLIS. Thank you, Senator Sasser, Senator Gore. I am particularly pleased to be able to testify today concerning TVA's need for direct air service between Knoxville and Washington, DC. As you have heard, we are just one of several Federal organizations in the Knoxville area, such as DOE's Oak Ridge operations, that need such service.

MANY HOURS OF PRODUCTIVE TIME LOST

Our employees in TVA average about 50 Washington round trips per month and at certain times we exceed this level. Now, if all connections are made and there are no delays these present connecting commercial flights between Knoxville and Washington require that our employees lose about 4½ to 6 hours of productive time on 1-day trips, compared to the 2½ hours on the canceled United flight that we had before. And this of course has increased our per diem and overnight lodging costs and so many of our people now must stay overnight, go a day early, stay overnight to conduct their business. And everyone who has traveled these routes in the last few months knows with the tight connections there are a lot of connections that are missed and extensive delays are encountered because of that. And these just add to the burden of time that is lost and the general physical burden of traveling.

Now, after United Air Lines canceled this direct flight service last fall, we tried to help ourselves by establishing a weekly Wednesday shuttle to Washington, using our 8-passenger TVA plane. And the use of the TVA plane on Wednesday has been helpful to those employees that can control their schedules in Washington, but most cannot, and we still have 30 or 40 employees per month that must fly commercially. Of course, with adequate service restored, we would stop our shuttle service. We do not prefer to have that service.

RESTORE DIRECT DAILY SERVICE TO WASHINGTON

TVA would very much like to see this direct daily service reestablished and with such service we can certainly accomplish our business more effectively and efficiently and at a lower cost; and we can avoid the extra physical burden of what should be a relatively easy 1-hour type flight to Washington. Early morning flights to Washington and late afternoon departures from Washington such as previously provided are of course desirable.

We also felt the impact of our Muscle Shoals operation location in Alabama where we have the National Fertilizer Development Center, because of canceled United flights that originated, as Senator Gore mentioned, in Huntsville. It stopped in Knoxville and continued on to Washington. And the flight returned to Huntsville in the evening, so many of our Muscle Shoals employees were right readily accessible to Huntsville now have to factor their day through Atlanta and are in the same trap as we are here.

GOOD AIR SERVICE ESSENTIAL FOR ECONOMIC DEVELOPMENT

Now, in addition to the problems that reduced air service from Knoxville is posing on TVA's corporation, I would also like to briefly address the importance of air service to the economic development potential of Knoxville and upper east Tennessee.

Recent economic studies by the Southern Growth Policies Board and other well-known groups have pointed to two important trends in economic development. First, there is a clear trend toward greater growth in the nonmanufacturing or service sector, especially in the higher-technology industries. These firms rely, as we have

heard many people say here today, heavily on recent technological advances in communications and information systems, and good air service has become an essential ingredient in their location decisions. Air service is as important to these firms as electricity and telephone communications; and in this sense, air service should be considered a public utility almost.

TREND TOWARD CENTRALIZATION OF INDUSTRY LOCATIONS

Second, there is also a related trend toward more centralization of these industry locations around metropolitan centers. Quite frankly, those areas with good air service are going to be in a considerably better competitive position than those areas that do not have frequent connecting flights to the Nation's largest metropolitan centers. And that tied together with the air fare problem, it doubly compounds an area that has small air service.

These trends are especially important in view of Knoxville's effort to develop and promote the technology corridors along Pellissippi Parkway. And I am certain that David Patterson, who I notice is here, president of the Tennessee Technology Foundation, and other leaders in the corridor effort, would agree that improving air service between Knoxville and the rest of the Nation is a very important factor in our plans to attract and encourage the expansion of high technology energies in east Tennessee.

Senator Sasser and Senator Gore, I do thank you very much for coming down and leading the effort in this. It is super important to this area; it is important to TVA from two standpoints. One is our effective in running our businesses and the other with our hat on of assisting these people in this area in economic development and I think it is crucial that we focus all of our resources and make something happen; and I am glad to be on the team trying to make something happen.

Thank you a lot.

SAVINGS IF TVA ELIMINATES FLYING OWN AIRPLANE

Senator SASSER. Well, thank you very much, Bill.

One thing comes instantly to mind following your testimony.

How much money could TVA save if they could eliminate flying their own airplane up there and resort back to commercial service as you did before? Now, there is an overload; you cannot carry all the TVA employees on your aircraft. And do you have a ball park figure of what the cost saving could be?

Mr. WILLIS. Yes, sir. We have looked at that. I can give you what kind of a direct impact it is. It is between $150,000 and $200,000 a year extra cost to us because of loss of this direct service. Now, that does not include what I am positive are very significant indirect costs of a loss of these people's time and effectiveness, but that is the direct cost of difference in fares and the cost of people staying overnight when they would not have to, in other words, per diem. That is somewhere between $250,000 to $200,000 a year is our direct cost.

Senator SASSER. So a significant amount of direct cost and that would not include the indirect cost of the additional hours that these people would not be working while they are in transit and, of

course, I doubt that it includes also the increased per diem of them staying overnight, does it?

Mr. WILLIS. It covers some of the per diem.

EFFECT OF AIR SERVICE ON DEVELOPMENT OF TECHNOLOGY CORRIDOR

Senator SASSER. I see.

Now, Ms. Dunlap, you work for a high technology employer that we are delighted to have here in this region. Could you give this committee today your opinion as to what effect lack of air service between, for example, Washington and Knoxville or diminished air service between Knoxville and other major cities, Chicago, New York, for example, what effect will that have on the development here of the technology corridor?

Ms. DUNLAP. Well, I think that has been addressed somewhat today in some of the comments that have been made. Air transportation particularly is becoming a more critical factor, particularly in high technology development. Many of the companies that would look at this area in the context of locating a branch operation here, for example, would need to make contact often and many of their employees would travel to other locations with the same company.

I was associated with the industrial development effort for ten years in this area, and this was always a critical factor, and many times in visiting companies on the west coast, for example, in trying to attract them to the east Tennessee area, the commercial air transportation was cited as one of the factors in their considerations. Companies now need to travel quickly and conveniently and they look at areas of the country where the commercial air transportation allows them to do this. So I think in that respect, it is critical now but it is going to become a larger factor in the overall growth of the area in the years to come and as we develop more industry here.

IMPACT OF DIMINISHED AIR SERVICE ON ECONOMIC DEVELOPMENT

Senator SASSER. Well, I would like to also pose a question to you, Mr. Joyce. Gene Joyce has been active in industrial development in this region, I happen to know as a fact for at least two and perhaps three decades. I do not want to tell you age here, Gene.

Mr. JOYCE. Four.

Senator SASSER. You said four decades?

I would like to get your estimate of what impact on the sustained economic development of this region and the Knoxville area and Oak Ridge also, what impact will diminished air service have on the economic development of this region, in your judgment?

Mr. JOYCE. It is tragic that it comes at a time like this. This is the very period of our history in the last 2, 2½, 3 years, that we have been trying to get a technology corridor going; and at this very time by unfortunate coincidence, is the time that we are having the struggle. Even the publicity associated with this and the lack of stability that reflects is awkward to us. It is something that just must be corrected if we are going to continue to make the progress we have made; and I think that for the short time we have been in it, we have made great progress. I hope it is not de-

terred and I hope we can correct this, particularly the flight to Washington that, you know, with our multibillion-dollar budget here, we are bound to have the private industry that is going to come in that is going to be satellite to that. So continuing a good budget here from the Federal Government in this light is essential to it.

But I think it is ironic, Senator, that a third-level corporate marketing executive in some city a thousand miles from here can make a unilateral decision that it is good only for his company about the flights that they use and as a byproduct of that, it critically affects the entire economic development of this region. They are invisible and faceless staff persons, I call them; yet, they dictate the fortunes of the national pattern and our pattern; and to have this continue is a miscarriage of Government, in my judgment.

AIR TRANSPORTATION A FRONT ISSUE IN ATTRACTING INDUSTRY

Senator SASSER. We are asking these questions—I am, and I suspect Senator Gore will do likewise—in an effort to develop a record of what impact on the economic development of this region the deprivation of air service will have; and we well remember—history seems to be repeating itself to some extent—in the 19th century or perhaps even earlier, if you lived in an area of water or river transportation, you flourished. Along came the railroad and it appeared to have the power of economic life or death over cities and communities that were trying to develop or even had developed.

Now, a strong case can be made that air service now has the same impact on the economic development of a region that river traffic or rail access had in an earlier era. Bill Sansom has been trying to attract industry to this region and been active in economic development. Do you have any particular experiences that you have encountered with regard to attempting to attract industry to Knoxville or this region in which the availability of air service was a missing factor?

Mr. SANSOM. Well, Senator Sasser, to respond directly, I do not have any names. We have—when we meet with the people and talk to these people that are potential new industries for us, air transportation, as you have mentioned, is moved to be a front issue and one we have to address. I know that in one of the letters you will get from one of these CEO's, he makes the comment that he is traveling with a guy on the plane that says, if I had known that this aircraft service to Knoxville was going to deteriorate like it has I would not have come here had I known that 3 years ago. That is the risk we run, the one that really has come here. But that—like you all have mentioned, it is a key factor in any of these decisions now to bring corporations in here.

I think another point that we suffer from is that if it is this complicated to get the employees in and out of the key cities in the country and into Washington, we lose the exposure from our business, our sales opportunities and our growth opportunities for our own businesses if it is that complicated for us to get our employees exposed to other parts of the country and call on other companies. I think that it is hard to put a value on that; but if anybody is looking at an area, they are going to think about those problems when

they have got people that are on the road trying to do things themselves for the company.

One thing that I might add, in one of these letters you will—in your package there will give you the—Herman Postma, who most of you know I am sure runs the Oak Ridge National Lab indicates that it has increased their annual cost by $200,000 a year. Just in the lab alone, they have 3,000 flights per year that they now pay more. He points out that $400 for round trip, and all of this is in the information he gave.

Senator SASSER. Thank you.

I want to defer now to Senator Gore.

FOUR KEY DESTINATIONS ARE VITAL

Senator GORE. Thank you, Senator Sasser.

Do you have those packets of letters there? Why do you not go around and get those?

Let me ask a couple of questions of each witness briefly.

You indicated, Bill, that there are four key destinations that are vital to a city that is trying to make air travel a part of its industrial recruitment pitch to companies. These cities include Chicago, Atlanta, New York and Washington. LA is not a part of this constellation because we are in the Eastern United States. Is that correct?

Mr. SANSOM. Well, there are fewer people in terms of those who are interested.

Senator GORE. Are these four the key ones?

Among the four, how would you rank them? Which is the most important?

Mr. SANSOM. Well, I guess I would have to rank them—if you moved down to two, to me it is back to New York and Washington.

Senator GORE. New York and Washington. Yes.

Mr. SANSOM. And of course, Atlanta, I think, is important because it tends to be a destination point for us because we cannot get anywhere else until we go there.

Senator GORE. You know the old saying . . . when you die, it does not matter if you go to Heaven or hell . . . you have got to go through Atlanta. [Laughter.]

Mr. SANSOM. I think the Washington-New York flights are two key flights for us and kind of move to the top of that list.

PROSPECTIVE NEW BUSINESSES HAVE CHANGE IN ATTITUDE

Senator GORE. Have you noticed any change in the attitude of prospective new businesses here when you are talking to them about coming to the Knoxville area? Have you noticed that with people you are trying to recruit yet?

Mr. SANSOM. Yes. We have noticed it. And I think even another concern I have in the efforts that we, all of us in all three chambers are doing, even this exposure is important to try to get the air service. But we are even nervous about the exposure and what it does in terms of turning people against us.

Senator GORE. Yes. Yes, that is right.

Mr. SANSOM. And so it is that important to people to come here, and that is the kind of reverse way to answer your question, but, yes, it is important to us.

I might add, Senator Sasser, while you are reading some of those letters, my introduction—my full time job—I am Chairman of H. T. Hatton & Co. and I would not want to——

[Laughter.]

Senator GORE. Is that in order, Senator?

Senator SASSER. Well, I think so.

PELLISSIPPI PARKWAY EXTENSION CONVENIENT ACCESS TO AIRPORT

Senator GORE. Well, all right.

Gene Joyce, have you and others worked long and hard on the Pellissippi Parkway? Is the Pellissippi Parkway extension designed primarily to improve the access of those in the corridor to air service?

Mr. JOYCE. Right.

Senator GORE. The theory behind that, based on much research, is that it will be easier to attract new high tech businesses to the Knoxville-Oak Ridge area, specifically to the high technology corridor. You can tell them when you are trying to recruit them, that you have got a convenient access to the airport. They are not really after access to the airport. They are after access to the cities that they can fly to from the airport. We are faced with the prospect of committing a lot of resources and a lot of time and energy to building this parkway extension and then not having any place to go with the extension, except in a round about way that takes away the attractiveness of the corridor.

Would you agree that that is a serious problem for the future success of the corridor?

Mr. JOYCE. Oh, indeed, it is. I think it is probably the number one problem.

We have had problems in recruiting industry here before the Washington slot was lost. I am not at liberty to name the names, but we know of specific industries that did not come to this region—they liked everything except the transportation and they have since wound up in the Atlanta area or some other area. And if you think of the areas that we are competing with for industry, they all have excellent, marvelous air transportation.

Senator GORE. Yes.

Mr. JOYCE. And they are hubs in themselves. So with that disability to start with, and not having the bridge and then having depreciating air service here, it becomes a very critical problem.

DIRECT COSTS AS RESULT OF LOST AIR SERVICE

Senator GORE. Yes.

Ms. Dunlap, you mentioned that Martin-Marietta has direct costs of $280,000 per year as a result of this loss of this air service to Washington National; is that correct?

Ms. DUNLAP. That is an approximate figure.

Senator GORE. We also heard testimony from Mr. Willis that TVA incurs direct costs of $250,000 to $200,000 per year. We also heard that Herman Postma at the Oak Ridge National Laboratory

said that they incur direct costs of approximately $300,000 per year; therefore we are looking at almost $800,000 per year with these three entities alone.

I wonder, Mr. Sansom, do you have an estimate of what the extra cost to members of the Chamber of Commerce, the businesses represented in these 47 letters might be. I know that it would be hard to estimate that.

Mr. SANSOM. It would have to be in excess of the number that you just mentioned for these Government agencies.

Senator GORE. It would have to be in excess. We are talking about well over a million dollars a year just in extra air fares that are being placed on the people in this area because of this roundabout way. These charges do not even begin to measure the lost opportunities in the form of industrial recruitment and the rest.

FUTURE ECONOMIC GROWTH WILL BE STIFLED

I was looking at these just briefly and wanted to mentioned for the record, Mr. Chairman, that these statements are very, very troubling, very troubling. Here is a statement from the Rantenback Engineering Co. "Our economic growth will be stifled if air service declines or if it is maintained at its present level." The Robert Shaw Controls Corp. speaks about the negative effects on orders and says, "One of the standard statements made by our customers is 'You can't get to Knoxville.' "

The First American Bank says that lack of service is a major irritation, having a detrimental effect on the economic growth of this community. Corporations hesitate to locate here, in part, because of the inconvenience. The Standard Knitting Mills Co. says, with the type of service which we are currently receiving in Knoxville it is very difficult, if not impossible, to commute to New York and Washington, and return, advantageously, in one day.

The Maxima Corp. says, that a less committed company considering opening an office here would have difficulty justifying an expansion into such a, quote, remote, end quote, area, with regard to transportation. From an economic development standpoint, I think this is the worst blow dealt to Knoxville thus far.

Pilot Oil Co. says, quote, that the Knoxville-Anderson County-Blount County area will never be able to realize its full economic potential unless we get improved air service, end quote.

The ACOM, this is Machista, with Panasonic, says, a portion of the expansion decision will be dependent upon availability of air transportation service. The statements go on and on. I will not read them all, but I want to highlight them for the record. All of these letters will be in the record because Senator Sasser has put them in the record, but they all say very similar things. It all adds up to one central point, the future economic growth of Knoxville, Oak Ridge, Blount County and the surrounding area will be stifled unless we can restore quality air service to this community and bring it into the 1980's to compete with the other locations that are trying to get these new industries to relocate. We have tremendous advantages in this area, but they will all come to naught unless we can compete on all of the critical points that companies examine closely in deciding where to locate.

It is not to say that we do not appreciate Pittsburgh, Charlotte, and Atlanta, and do not enjoy taking this round about route. I have grown very fond of the squeaking dogs in the newsstands of the Atlanta Airport, and the robot voice on the subway, the $2 glass of orange juice from the machines in Pittsburgh, and the 200-yard walk to the bathrooms in Charlotte. This is all very interesting, but it would be a lot better if we could get the direct service. Thank you for appearing here today, and thank you, Senator.

Senator SASSER. Do you wish to make a statement, Mr. Sansom?

HARDSHIP ON BUSINESS TRAVELS AND VISITORS

Mr. SANSOM. There is another letter there that I did not—should have gone through these letters, and I apologize, but the one from NAB Consumer Products says—it is rather significant in terms of—theirs is a headquarters we were successful in moving to Knoxville, and one that is very disgruntled with this air service. They point out some of their dollars that——

Senator GORE. Yes. Let me just quote briefly from that.

Air service to Knoxville since we moved our headquarters from Fort Wayne, IN in 1979 to 1980 has been either at a standstill or deteriorated to a point of serious inconvenience to our business travel requirements. Of interest is our annual travel cost average of $2½ million, which means we have a lot of people flying in and out of Knoxville daily.

In addition, our simple presence as executive, purchasing, finance, and R&D headquarters for Magnavox, Philco, and Sylvania, audio-video, probably draws another $1 million of air fare costs from arriving and departing visitors. Our logs show that we average 75 to 100 visitors each day throughout the year. The fact that there are no major airlines with direct service to and from Washington—and he mentions New York and Dallas—or even Nashville, although there is the Skyways flight there, imposes a hardship on our business travels as well as our visitors. He goes on to underscore how important this is to companies.

I again invite those scrutinizing this record to read those letters, because they really provide the evidence of how serious this is.

Senator SASSER. Thank you very much. And I want to express my appreciation to this panel for appearing here today.

Do you have something you would like to add, Bill?

LACK OF AIR SERVICE PLACES EXTRA COST ON GOVERNMENT

Mr. WILLIS. I have one other thing that I think should be added. We do not have a great number of people going from TVA to Washington, but more Washington agency people coming to TVA, significantly more than go up there and that is costing the Government in exact proportion. We have the NRC and EPA and GAO. Now, that may not be all good news for TVA every day——

[Laughter.]

Mr. WILLIS [continuing]. But that is a tremendous extra cost to the Government, and I think those numbers of those visits should be collected and added, because they are very significant, very significant.

Senator SASSER. Well, I think you put your finger on something. It is not just passengers going to Washington. We have also got the problem of passengers coming here from the various agencies in Washington. We have no figures available on Department of Energy employees who make the run down from Washington to Oak Ridge, for example; and I am not sure—perhaps Ms. Dunlap.

Ms. DUNLAP. I would imagine that would almost double our figures.

Senator SASSER. Pardon?

Ms. DUNLAP. I would imagine that would amost double our figures, because it seems to me there are as many people coming from Washington to this area as the opposite.

Senator SASSER. Right.

The ballpark figure we arrived at a moment ago was $1 million. I think that is very, very conservative. I would not hazard a guess as to what the additional cost is to the Federal Government and local industry. And then again, as Mr. Willis pointed out, we have the additional cost to the Federal Government in losing the Huntsville flight, of having to pay for employees there who would have been on the one-stop flight for them to Knoxville.

Senator GORE. And also the folks at Redstone Arsenal in Huntsville.

Senator SASSER. That is correct. So that is one reason why the Alabama delegation is so interested in this hearing.

I want to thank you very much for appearing here to testify this afternoon. Your testimony has been very helpful and when this record is compiled, I am going to show it to a number of interested people in Washington; and, Bill Willis, if you ever have any extra seats on that TVA plane, you might interest Senator Gore and I. [Laughter.]

Thank you very much.

Our next panel will consist of Mr. William Newkirk, the commissioner of the Metropolitan Knoxville Airport Authority. He is a lawyer by training, receiving his legal education at the University of Cincinnati and the University of Tennessee; Mr. Newkirk and I have discussed this on at least one occasion in great detail, and he is familiar with the problems associated with air service to Knoxville and the issue of airline deregulation and its impact on Knoxville.

We also have with us today and are pleased to have, Dr. Ray Mundy, a professor of marketing and transportation at the University of Tennessee. He has directed several major research projects, including a detailed study of 42 transit properties in the United States and Canada. Dr. Mundy is currently the executive director of the Airport Ground Transportation Assocation. He received his B.A. and M.B.A. degrees from Bolling Green State University and holds a Ph.D. degree from Pennsylvania State University, with emphasis on transportation and logistics.

We also have with us Mr. Archie Yawn, who is Tennessee State Coordinator for the Air Transport Association. Mr. Yawn is here today representing the Air Transport Association, and has written

testimony which he will submit for the record, as I understand it,[1] and will be available to answer questions should we have any.

We also invited the Department of Transportation to send a representative today. I directed a communication to the Secretary of Transportation, Secretary Dole, and requested that she send a representative to testify. I might say that Secretary Dole and I have had a number of conversations about the situation here in Knoxville. Unfortunately, DOT declined our request to send a witness, but did send along written testimony, which will be submitted for the record.[2]

So we will begin with you, Mr. Newkirk, if you would, please.

STATEMENT OF WILLIAM P. NEWKIRK, CHAIRMAN, BOARD OF COMMISSIONERS, METROPOLITAN KNOXVILLE AIRPORT AUTHORITY

Mr. NEWKIRK. Thank you, Senator.

I appreciate the opportunity to address your committee. I have submitted to your committee for the record a statement on the impact of airline deregulation on the small hub communities in general, one of which is Knoxville.

EFFECT OF DEREGULATION ON SMALL AND MEDIUM HUB COMMUNITIES

I would like to rather than read from that report, which is self-evident, to make a few comments in the form of an overview of my impressions of the effect of deregulation on the small hub and the small medium hub community like Knoxville, and venture a suggestion or two as to the avenues that might be explored to rectify what I feel are some situations that have developed adversely to the small and medium hub airports like Knoxville.

Approximately 50, 55 years ago, when the airline industry as we know it was born, it was born of regulation; it was born of Federal subsidy; it never knew anything else until October 1978, when deregulation was passed, allowing the airline industry to pretty much come and go as it pleases, charge what it will, and run its own show, answering to no one whatsoever other than those parties with whom it may have a contract obligation.

As a result of that, several airlines, as I view it, went hog wild and tried to enter every possible market in the country such as Braniff, with disasterous effects to itself. Other airlines retrenched, took a good, long, hard view of the situation, waited a little while and then made some, as I view it, some very wise and intelligent decisions as to increasing its, quote, market share, end quote, which all the airlines seem to be pretty occupied with. Such an airline is Piedmont, which has recently reentered our market.

The effect of this experience in deregulation, if the present trend continues, is for there to be fewer and fewer airlines, maybe four or five will survive. The rest will either merge, be bought out or go bankrupt.

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[1] See p. 98.
[2] See p. 108.

DEVELOPMENT OF THE HUB AND SPOKE CONCEPT

In this growth of the airlines individually and the retrenching of the numbers in the markets, we see a development of something, I believe, started by Delta Air Lines several years ago, the hub and spoke concept, which has been very successful for the individual airlines that have properly utilized it. Now we have here the effect of not only Delta in Atlanta, but one of the hubs that Piedmont has created at Charlotte, U.S. Air at Pittsburgh, and of course United has done it for some time at O'Hare; and a number of airlines throughout the country have developed this concept are developing it even more and again, if the present trend continues, I feel that you will have a division of the markets by the various airlines as they become dominant in the various hubs. And that, to me, approaches monopoly in given areas. And I do not know of a monopoly that performs a public service, whether it be an electric company, a water company, a sewer company, or what have you, that does not have government regulation. Without it, the public is at the mercy of the party providing the service. And that is what I fear is going to develop if the present trend continues with airline deregulation.

As Gene Joyce so eloquently stated it, some hidden individual in an airline company somewhere is making a business decision that will affect what the airline is most interested in and that is the bottom line of their balance sheet at the end of the quarter or the year or what have you. And that decision is going to affect, directly, the opportunities that a given community has or the conditions that a given community may exist under today and in the future. We can see it happening in many places around the country. We have felt it here directly with the October change of United to shift its slot from here to New York.

And I think that we are going to see more of that happening. Washington National is congested to the point it requires slots. Is O'Hare next? Is Atlanta next? How is that going to affect Knoxville? Are we going to be left out in the shuffle in favor of some other market that the airlines feel that they could best serve and make a higher dollar or better profit in the long haul? I do not know. I am afraid that it does.

The cutthroat competition that the airlines have entered into to capture what they feel is their fair share of the market in the heavily populated areas leaves the small and medium sized hubs really out in the cold as has already been demonstrated by the first panel.

COUNTRY HAS NO VIABLE ALTERNATIVE

That would not be so bad if we had a viable alternative in this country. We have no viable alternative. Europe has very viable ground transportation. This country does not. When the airlines—it is kind of ironic—when the airlines were started, just completely covered up with regulation, subsidy, you name it, the rail industry provided very adequate passenger transportation, went to every place in the country, little whistle stops, jerkwater, you name it; the train went through there and provided service.

Yet, now, we do not have that; we have no alternative viable for the public to utilize and we have an industry that approaches, if it is not already, in effect, a public utility without any regulation from the Government; and I feel that there is going to have to be regulation to assure to communities across the country, across mid-America, the heartland, if you will; it is not a great big city; the benefits of service so they are not completely left out in the cold with no form of public transportation, which is the trend we are going toward very, very, very fast. It is kind of like the old saying, the rich get richer and the poor get poorer; the bigger getting bigger and the smaller airports are getting smaller; because as was stated here earlier, people are going to Atlanta because they have the transportation facilities available to them, and the routes and the air carriers, going anywhere, coming from anywhere. They do not have it here. So they are all going to Atlanta; all of the money that went into all of the airports in this country came from the taxpayers of this country. Yet, why should the big cities benefit in an increasingly larger proportion from that money to either the dwindling proportion or no benefit at all for the smaller communities. The people in all of the smaller communities across this country put their tax dollars into the transportation system and as it presently is going, with the airlines calling the shots—and I do not blame the airlines—if I were in their situation, I would be doing the same thing—but the effect to the community is devastating unless they are a very, very, very large community and they are growing. Knoxville is not in that posture. The majority of the cities and towns in this country are not in that posture; and I think that we need an intelligent regulation, reregulation of the airlines as a public utility which is in effect what it is, with an idea toward service, toward safety and toward a cost that is reasonably related to the total product offered across the country.

That is easily said. Words are cheap. But I think anything short of that, this country is going to be sadly lacking except in the very large metropolitan areas; and growth brings unseeming problems to them that causes you folks down in Washington to have to struggle more and more on how we are going to solve the problems in Atlanta, New York, Chicago, St. Louis, Los Angeles, any other large, metropolitan area, and yet at the same, the garden spot of the world, east Tennessee—and I unabashedly say that is what it is—is sitting here without the benefit of transportation so people can really—I mean, if folks could come and go to east Tennessee, they would throw rocks at all these big cities; I am satisfied.

In any event, I am happy to have offered what meager suggestions I could. If you will read the report that our Authority has prepared on the impact to the medium, small hubs, I think you will see more in detail what we are talking about.

Senator SASSER. Bill, thank you very much.

[The prepared statement of Mr. Newkirk follows:]

Comments of the

Metropolitan Knoxville Airport Authority

on

IMPACT OF AIRLINE DEREGULATION ON SMALL-HUB COMMUNITIES

submitted to

BUDGET COMMITTEE
United States Senate
Washington, D.C.

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IMPACT OF AIRLINE DEREGULATION ON SMALL-HUB COMMUNITIES

May 30, 1985

The combination of airline deregulation in October of 1978 and rising fuel prices brought rapid changes to the national air transportation system. Major changes appeared in the national route system flown by the air carriers, the fares charged in different city-pair markets, and in the air service and fare levels at small and medium-sized airports. Many of the large trunk cariers, such as United Airlines, American Airlines and Trans World Airlines, initiated immediate changes in their route systems after the passage of deregulation. Almost all of the trunk carriers began to withdraw from small cities and reorganize their route system to fit into a hub-and-spoke system similar to that operated by Delta Air Lines at Atlanta.

The trend in route system development towards hub-and-spoke operation is continuing in the industry today, and, if anything, is accelerating. Carriers, such as USAir, Piedmont and Republic, are following a similar trend. However, Piedmont Airlines, is bypassing large, congested hubs by offering direct point-to-point service in addition to hub-and-spoke operations.

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The advantage of the hub-and-spoke concept, where the airlines feed through a central hub, is that the airline can "capture" the passenger all the way through to his destination. With a hub-and-spoke system, it is possible to provide service to an increased number of points with fewer aircraft and also "through ticket" the passenger. This increases the revenue to the carrier by keeping that passenger on-line, thus preventing his transferring to another airline. Many of the large trunk carriers which reduced or eliminated service at small and medium-size cities immediately after deregulation are now reconsidering their philosophies because they have lost the feed traffic provided from those smaller cities into the hub complexes. American Airlines, for instance, is now reconsidering additional service to small and medium-size cities to improve the feed through its hub system at the Dallas/Ft. Worth Airport. Other carriers, such as USAir and Piedmont, have been successful in providing service at medium-sized citites, feeding through the hub system and thus taking business away from major carriers.

Another development in the national route system resulting from airline deregulation is the rising importance of commuter airlines, which fly aircraft of 60 seats or less. The commuter operator generally provides gereater frequency of service, since the number of seats per aircraft is small, resulting in greater convenience to the small city traveler.

Many communities have been reluctant to accept commuter airlines because of the small aircraft and public misconceptions about the safety of these aircraft. Small communities, where large jet service has been replaced by commuter airlines, have found that the public requires education and familiarization with the commuter operator, the type of aircraft, and the advantages offered by commuter airlines.

One of the primary purposes of airline deregulation was to benefit consumers by reducing fares. Airlines have found, however, that rapidly rising fuel costs have necessitated large increases in fares over the last several years. Airlines are fuel intensive; the cost of fuel as a percentage of total operating cost (and simultaneously, the cost of a ticket) has more than doubled. While fares have generally increased, some markets have enjoyed significantly reduced fares and substantial discounts as a result of increased competition brought about by deregulation. Other markets have found that their fares have increased disproportionately to average fares in the country becuase of the lack of competition, particularly in monopoly or single-carrier markets serving small and medium-sized communities.

Airline deregulation at this time seems to be working to the advantage of consumers in large urban areas and to the disadvantage of small and medium-size communities. The impact on small and medium-size communities has been significant and, with a few exceptions, air service is poorer today in small and medium-size communities that it was before deregulation.

Small and medium-sized community airports generally fall into the small-hub category, enplaning .05 to 0.24% of all passengers nationally. Such airports are usually operated by a local city, county, or in some cases, an airport authority. Knoxville's McGhee Tyson Airport fits into this category. It is one of the larger small-hub airports, enplaning 434,000 passengers in 1984 and 411,000 in 1983. The experience at McGhee Tyson is representative of the experience of small-hub airports nationally.

Small-hub airports are finding an increasing number of commuter airline operations at their facilities. In Knoxville, the number of commuter airlines has grown to three - Tennessee Airways, Comair and Atlantis Eastern Express. This trend is emerging throughout the country as comuter airlines begin to fill the gap in service from small to large-hub airports for connecting service to other destinations. Connecting traffic, in which a change of planes and airline is required, is considered a reduction in air service convenience compared to the on-line or direct service offered more extensively prior to airline deregulation. From small-hub airports, where larger carriers have continued service, the trend toward hub-and-spoke operation generally necessitates a change of plane or, at least, an additional stop not experienced prior to deregulation, resulting in an overall reduction in convenience to the small community air traveler.

Disproportionate increases in airline fares from small-hub airports have become common throughout the country. Many small-hub markets are served by only one airline because they do not generate sufficient air traffic to justify more than one carrier. There is no competition to provide a market mechanism for controlling fares. Many airlines are cross-subsidizing discount fares in large markets where competition does exist, with higher fares in small markets to help offset operating losses generated by the discount fares. Consumers in small and medium-sized cities are not only experiencing a reduction in the level and convenience of air service offered from their airports, they are also paying a premium price for this reduced service.

There is no question that fuel price increases have required the airlines to increase their fares, but it is readily demonstrated the fares for small-hub markets have increased disproportionately to those for large city markets. While it might be expected that the fares would be somewhat higher from small communities because of higher operating costs for one-stop service as opposed to nonstop service, disproportionate increases cannot be justified by the increased operating cost of serving small communities.

The negative impact of airline deregulation on small community air service and fares has caused hardship for airport operators and the community served by the small-hub airport.

As airline departures have declined at the small-hub airports, passenger volume and revenues have also declined. High airline fares from small communities have discouraged air travel from these communities and, in many cases, have forced business travelers to seriously consider alternative modes of transportation, primarily the private automobile, over short distances.

Small-hub airport operators have found airline deregulation and the resulting impact on service have created severe financial hardships for the airport and, in some cases, have required community taxpayer assistance to continue to maintain and operate the airport. Airport operators derive revenues from a number of sources to help meet operating and maintenance costs and debt service on the airport facilities. The major revenue-producing areas include landing fees and terminal building rents paid directly by the airlines. As departures have decreased and airlines have withdrawn from markets, these revenues have naturally declined. Other revenue-producing sources at small-hub airports include concession revenues from rental cars, resaurant and parking operations. As passenger volume has declined with reduced air service, the revenues from these concessions have also declined.

As small-hub airport revenues have declined, costs have increased due to inflation, rising fuel prices and increased utility costs. In addition to the normal escalation of operating costs, small-hub airport operators have found that because of deregulation, they are now spending considerable sums on promotion and marketing. The competition among airports for air service is tremendous.

The indirect financial impact on the community served by the small-hub airport is less easily measured, but is substantial. Communities with poor airline service are at a competitive disadvantage for new industries. This may cause a shift away from locating plants and industries in smaller communities and cause industry planners to consider expansion and relocation in large urban areas where air service patterns have improved as a result of deregulation. The decision of industry to continue to remain in large urban areas can only exacerbate the problems presently experienced by most large, urbanized areas.

In addition to loss of new industry, the disproportionately higher airline fares and poorer service impede businesses and industries already located in smaller communities because of the increased cost of doing business. The businesses and industries are at a competitive disadvantage with those located in large urban areas with convenient and less costly airline service. As transportation costs increase as a proportion of total operating cost due to rising energy prices, this competitive disadvantage will be magnified in years to come.

Airlines are still adjusting to the new rules of the game brought on by deregulation. It can be expected that this adjustment period will continue for the next several years before the industry stabilizes. Most experts predict that there will be fewer airlines, perhaps four or five large carriers, formed as a result of mergers, bankruptcies and discontinuance of some airlines altogether.

As in any business enterprise, some airline managements will be successful in dealing with the deregulated environment while others will not. Those who are unsuccessful in adjusting will find themselves either merger partners or bankrupt.

In addition to the financial liability of airlines, several other factors enter into predicting the future of airline service, particularly in small communities. Capital formation will be a major concern to airlines over the next several years as they attempt to replace their aging fleets of aircraft with more fuel-efficient, larger-capacity airplanes. Noise regulations at large airports may reduce the airline service at these large-hub facilities. A number of large airports are already restricted in their capacity by a Slot Quota System established by the Federal Aviation Administration. National Airport in Washington, D.C., O'Hare in Chicago, and LaGuardia and Kennedy in New York are already restricted as to the number of hourly operations which can occur. Small community service would probably be affected if capacity at large airports is reduced in the coming years.

Very small airports will probably continue to experience severe air service disruptions and come to rely on commuter airline service to provide access to the national air transportation system. Fares will continue to be high at the majority of small-hub airports because of the lack of competition in the markets served from these cities.

The debate over airline transportation as a public utility or a private industry will continue. It would seem that a combination of private industry market forces and public utility protections might address to the problems experienced by small communities and still provide for competition in larger markets. Corrective legislation, addressing the need for fare and route protection in small and medium-sized communities while providing for competitive market force control in large cities may need to be introduced as the industry begins to stabilize and the impacts of deregulation is more fully understood.

Senator SASSER. We will turn now to Dr. Mundy, who I suspect might have a different view about airline deregulation.

Dr. Mundy.

STATEMENT OF DR. RAY MUNDY, PROFESSOR OF MARKETING AND TRANSPORTATION, UNIVERSITY OF TENNESSEE

Dr. MUNDY. Senator Sasser, Senator Gore, thank you very much, and I appreciate the opportunity on behalf of the university and our department of marketing and transportation to provide some comments. I was somewhat surprised. Our department, as you know, is one of the largest business transportation departments in the country; it is one of the few places you can still get a Ph.D. in transportation policy; so we are not new to this issue; and we have given testimony in numerous cases before.

DEREGULATION HAS CAUSED PROBLEMS FOR COMMUNITIES

I said I was surprised because we have been on record as having favored airline deregulation and very much felt that it would be overall of benefit to the traveling public. But I think we would be remiss and we would be neglectful if we did not honestly recognize some of the problems that it has caused for communities like our east Tennessee, Chattanooga, Knoxville, and the tri-cities. We told people these would be some of the problems that would result, the things which have been chronicled today in terms of lack of service, frequency of service, even the type of service, the type of aircraft that we have. These are all things that could be fairly well predicted because of the result of natural economic forces.

The fares that we pay, I must admit, they surprised even us, that felt there would be an increase in fares, certainly not to the extent which they have been since deregulation. I think they have gone up much faster than inflation and perhaps much faster than communities like Knoxville should be paying for the limited air service they have under the present conditions.

But I would like to offer that while we know these direct problems have resulted, the indirect ones are rather out yet; the indirect ones in terms of economic development. Certainly the letters you have from the CEO's, the comments from business travelers, Knoxville is not the place it once was in terms of level of service and quality of service.

GET HANDLE ON INDIRECT COSTS

However, you probably need to do as you are doing, trying to get a good handle on these indirect costs, these externalities, aggregating them and making them known, not necessarily to your fellow Congressmen and Senators, but perhaps to the local community, the needs of the community become more mobilized and attempt to address their problem from a collective effort, not necessarily through a congressional or legislative effort.

I would like to make just a couple of comments about why we are in this problem and offer a couple of solutions, things that we could do in the community, but also perhaps some legislative interest of you and Senator Gore that you may want to take a look at.

We are in this problem of deteriorated service not because there is any sinister desire by the airlines to do us in. It is simply a law of supply and demand. We are getting the type of airline service that the airlines feel that the demand warrants, and the decisions which they are making. It behooves us, then, to try to affect this law of supply and demand and make it work for us, at least as much as we possibly can.

AIRLINE REGULATION VIEWED DIFFERENTLY

With all due respect to Mr. Newkirk, I think we viewed the history of the airline regulation and so forth a little bit differently in our academic programs. The airlines needed regulation in development stages. It was a great regulatory scheme. We had the Civil Aeronautics Board that was sort of an overlord. It developed an airport-airline system in this country that was second to none. In Knoxville, one would have to suggest, a small airport hub, an out-of-the-way place, we developed and had airline service that was fairly comparable even in major airport hubs. We could do that because the CAB would look at the data and listen to a petition from an airline and say, it looks like we can offer two or three flights from this city, Knoxville, to that city; it will be economically beneficial to do it; it is only a break-even proposition but we can do it; and we have the exclusive contract right to do that for as long as we provide adequate service. The Civil Aeronautics Board regulated the rates, they regulated the times, and they in a sense provided a great benefit to communities like Knoxville.

Unfortunately, all those services were not profitable. They were not profitable to the point where they even paid their costs in some respects. But we maintained those services because the airline was not allowed to decrease its service, it was not allowed to drop its service because it was making profit on the other major trunk lines: Miami to New York, the other major profitable routes.

The system worked well. They were capped in what they could make in terms of revenue; and we had a lot of economic development and we participated in it. But similar to telecommunications, similar to motor carriage, rail transportation, and many other things that Congressmen and Senators have voted on through the will of the people; we wanted competition in our airline markets. The majority of people in those major markets wanted lower air fares. They wanted to pay less if they agreed to take a trip at a more convenient time; if they made their advance payments 30 to 60 days in advance. We deregulated. We have done away with the CAB; it is dead, buried and gone. And it is buried so deep that just digging around the edges of the top of it, a little spade and shovel work, is not going to change things right now, or in the foreseeable future. The major will of the people in the United States is not to reregulate the airlines.

That leaves us then still with our problems.

USE SUPPLY AND DEMAND NEGOTIATION

Two things we can do. Recognize supply and demand and aggregate the demand that has been talked about here today. Try to get TVA, try to get the University of Tennessee, try to get Martin-

Marietta to perhaps maybe sell their aircraft fleets and band together. There is nothing wrong with them banding together with other major employers and saying, well, here is our demand from Washington; let us go to an airline and say, look, we will give you an exclusive contract for our employees to provide that service; we may even throw in all employees going through Atlanta if we really have to negotiate hard. There is nothing wrong with this kind of supply and demand negotiation. In effect, it is working within the free market system we have set up for the airlines.

So in essence there is a lot we can do for ourselves if we get out act together.

The Government, GSA, does it every day. They negotiate with every airline for routes and rates for Government employees that use their aggregate demand to get a better rate and better services for Government employees. That takes effort. Probably the Government, through the—I would say ADAP legislation, Airport Development Act, can and should provide grants, research moneys, for communities to do this kind of effort, especially those communities that have been disadvantaged by airline deregulation.

LEGISLATIVE RELIEF FOR AIRPORTS

The second thing that you might want to take a look at and perhaps can do something directly about is legislative relief for the airports. ADAP legislation prohibits them from signing any exclusive contracts; it prohibits them from saying to an airline, look, we will gladly give you this route if you provide us service to Washington. Giving them economic power that they did not have as a result of the legislation which really was born and signed and agreed upon during times of heavy regulations.

The Civil Aeronautics Board did not want airports getting into the act of deciding who and who should serve what routes. They were doing it. They are gone. Airports could probably manage in local communities a lot better if they had more economic power.

Those, to be quite honest with you, from a faculty or an academic standpoint, are the only ways I think I or the members of my faculty see of maintaining a free market system. None of the companies that have testified here today would like the Government to tell them what markets to serve and what price to charge. I do not think anyone would volunteer for that. We should not ask it of our airlines either. They are no longer regulated; we do not tell them what to do. It is dead and gone. Let us work within the system we have.

We in east Tennessee have a very nice area. We can attract companies on quality of life and level of life. We take some lumps for being out of the way. We have a nice place to live in. We want to pay what those lumps cost us, perhaps nothing more; but I think we need to live within that.

I am not in favor of going back to heavily regulate the airlines or try to regulate them with small picks and shovels when it just simply will not work. They are deregulated; and let us keep it that way.

Thank you.

IMPACT OF A LEGISLATIVE REMEDY

Senator SASSER. Thank you. And Mr. Yawn's statement has already been submitted for the record.

Bill Newkirk, Dr. Mundy has suggested that a potential legislative remedy to the air service problem being faced by medium-sized communities is to allow exclusive use agreements between airlines and airports.

Would you comment on what the impact of this might be and would you favor such a change in the legislation?

Mr. NEWKIRK. I think if the Congress passed legislation allowing that and an airport implemented that legislation it would be struck down as violative of the Commerce Clause of the U. S. Constitution.

Senator SASSER. Well, let me ask you this. If it were constitutional, would it be helpful?

Mr. NEWKIRK. No, I do not think it would. If we are going to create a monopoly we definitely need to regulate it, if it provides public service. And if the number of air carriers, following the present trend, reduce themselves to three or four or five across this country, we are going to have, in effect, a monopolistic situation, completely uncontrolled, that the air carriers can do as they will with insofar as their fares are concerned and the services they provide; and the public is at their mercy.

I feel we have in effect a public utility or approaching public utility and it needs regulation. Now, I am sure the airlines do not want regulation because they are freer, as would anybody be in the present situation, to do what they feel is best to enhance the bottom line; to make a profit, or a greater profit. But I am not looking at it from that standpoint at all. I am looking at it strictly from a local service situation. We do not have lower fares in Knoxville. We do not have better service in Knoxville. We do not have the prospect of saying, as a general proposition, since deregulation was passed and put into effect in the fall of 1978. And I do not think we will. I think this trend will continue in the direction it has already started. It has healthy head of steam and I believe it is an area where we need regulation just like we do any other public utility.

MAJORITY OF PEOPLE FAVOR AIRLINE DEREGULATION

Senator SASSER. Dr. Mundy, you made a number of statements, some of which I would agree with and some of which I might contest. You seem very confident in your assertion that people do not want reregulation of the airlines; that they want deregulation of the airlines. How do you know that? Have you seen any polling data on that, or has the university done any research into that matter?

Dr. MUNDY. We have not conducted any major consumer surveys in, I think in, 2 or 3 years. We did some work right after deregulation and found I think a continuing pattern; in fact, that there are probably more winners than there are losers. There are more winners in the major market areas. I myself love having the ability to take my family on vacation by preplanning it and having an air fare, even out of Knoxville, that is 70 percent lower than the standard coach fare.

So in essence, I think more people are benefiting—unfortunately, I think it has been brought out here, the people that benefit are in major airport hubs. We have to make sure that in the out-of-the-way communities that we do not pick up an undue burden of the cost of this deregulation. We must get organized.

KNOXVILLE HAS BOTH WINNERS AND LOSERS

Senator SASSER. Well, Dr. Mundy, you say there are winners and losers and based on the testimony that we have heard here today, it would appear to me that perhaps Knoxville is falling into the category of a loser with regard to airline deregulation. If there are winners and losers in airline deregulation, where would you place Knoxville? Or where would you place Chattanooga, for example, or Nashville.

Dr. MUNDY. Knoxville would have to be in a category where we have had both winners and losers within the same traveling public. Our businessmen, there is no question that they have been losers in the cost of business travel. Some have gone up on the average of 30- or 40-percent fares—30 or 40 percent per year. Our consumers have been winners in this market.

We have been probably affected moderately by deregulation. Tri-Cities perhaps because of their strategic location farther away from a major airport hub, not so much. They have continued, I think, to be economically developed. Chattanooga has been absolutely devastated. We forget that when we deregulated the airlines we also deregulated the airports. The airports now compete for passengers. Chattanooga being 60 miles away from Atlanta has simply lost an awful lot of its traffic to the frequency and the low fares of the Atlanta Airport. So they would be much worse off; they would be a much greater loser than us.

ECONOMICALLY THERE HAVE BEEN LOSERS

Senator SASSER. Well, I am willing to concede that if you can plan your travel well in advance, if you have adequate leisure time to get through various and sundry airports and change planes, that you might be a winner under airline deregulation. But how about the businessman or the Government workers, those who use the airlines to advance their economic interests and the economic interests of the region.

Would you not say under airline deregulation that these individuals have been losers that cannot plan travel far in advance?

Dr. MUNDY. Senator, there is no question that from an economic standpoint and a service standpoint, there have been losers. Airlines no longer charge a fare based on their cost, as they did under regulation. They now charge a fare based on what people are willing to pay. It's a market-driven fare. And we will pay more because there is less demand in these areas.

LARGER COMMUNITIES WITH MAJOR AIRPORT FACILITIES GETTING RICHER

Senator SASSER. You see, we are faced as public officials in looking beyond, at least in my judgment and Senator Gore may have a

different opinion of that; I would not want to speak for him, but looking beyond the question of supply and demand, the airlines are not a self-supporting organization. They are subsidized heavily by Federal Government and by local governments which operate the air traffic control system, as you know, which operates and constructs the airports; the Federal Government even subsidizes aircraft development, some of it indirectly through military aircraft. But the airline industry is heavily subsidized in one way or another by the taxpayers of this country. And I well remember during the debate on the floor of the Senate on what to do with Amtrak and whether or not we should continue Amtrak. The assertions were made that Amtrak was subsidized to the tune of $35 per passenger, and this should cease. But there was evidence also introduced into the debate that the airlines were subsidized to the tune of $33 or $34 per seat indirectly, some of it, by operation of the air traffic control system, et cetera.

So the dilemma we are faced with, we have the taxpayers to a large extent subsidizing this air traffic system and if you leave it purely to the whims of supply and demand or the marketplace, then you have certain areas that suffer economic disadvantage as a result of that and it is more disproportionate in some areas than others; and would you comment on Bill Newkirk's statement that you have a situation here where the rich get richer and the poor get poorer; in other words, if you are fortunate enough to develop a hub, as they appear to be doing in Memphis, but you cannot develop a hub here in Knoxville, what happens to Memphis and Knoxville in competition for various industries?

Dr. MUNDY. I believe there is no question that the larger communities, with major airport facilities, are getting richer in terms of the level and quality and cost of service. The smaller ones are getting poorer. I would disagree, though, that we are headed towards a monopoly situation in the airlines. We have had far more new entries and far more exits in the airline industry since deregulation than the 20 years prior to that in the form of regulation that we had. So there are some losers to the airlines also with this deregulation.

AIRLINES OPERATING PURELY FOR THEIR OWN MOTIVES

Senator SASSER. One final question or statement, and I will turn it over to Senator Gore. With regard to supply and demand controlling service, we see here in Knoxville that the supply-and-demand theory has not worked very well vis-a-vis Knoxville and Washington National Airport. Here we have a situation in which United was operating aircraft out of here which, to my eye, were full; in fact, I have been bumped off that plane on at least one occasion. This was undoubtedly a profitable route for United. And when we confronted Senator Gore and myself and members of the Alabama delegation confronted United's representatives with the statement that this was a profitable route, they did not deny that. And they simply said that they abandoned the Huntsville-Knoxville route because They were getting out of the north-south business, are moving into an east-west business.

Well, this deprives Knoxville of its air service but yet United continues to control that slot at National Airport which they now use to fly from Washington National to New York, and I would maintain that there you have the market system breaking down. It is not a question of supply and demand. It is a question of the airlines operating purely for their own motives and really paying not enough attention, in my judgment, to the public interest and the public they are supposed to serve.

Would you disagree with that statement, Dr. Mundy?

Dr. MUNDY. Not at all, Senator. It is a strategic decision by the airline. I cannot speak for them. But if they keep pressing the wrong buttons on the national slots, they will get I think a retaliation by folks that are just more than a little upset with that kind of interference.

Senator SASSER. I said I was going to stop. But let me say one other thing now. And that is this. You may sense that the majority of the American public still favors airline deregulation. I have a sense that this is not the sentiment in the Congress as House members and Senators see the air service into their States declining precipitously.

Thank you.

Senator Gore.

AIRLINE AND MARKETPLACE DECISIONS DIFFER

Senator GORE. Thank you very much.

Dr. Mundy, I appreciate hearing your testimony and, indeed, the University of Tennessee has one of the leading programs of this kind anywhere in the country or in the world. And I welcome this opportunity to hear what you have to say.

You made a statement Knoxville gets the kind of air service that the airlines determine it should receive.

When you started that sentence, I thought you were going to end it by saying that Knoxville gets the kind of air service that the marketplace determines it should receive. Is there a difference?

Dr. MUNDY. There is a large difference.

Senator GORE. The marketplace is not really making this decision, is it?

Dr. MUNDY. We could do more at the Knoxville end to aggregate our demand, to tip the balance of the airlines' decisions more in our favor if we got more organized and mobilized to perhaps lay out the market a little more for the airlines. We could get tough on our end if we wanted to.

Senator GORE. And bargain directly. I think that is a good suggestion. Based on the testimony of Mr. Newkirk and based on my reading of the Commerce Clause of the Constitution, I am not sure that the suggestion to amend ADAP is practical, but we can talk further about that.

I think your suggestion to have large users of air service in Knoxville band together and negotiate directly with airlines is really a useful suggestion. Perhaps Senator Sasser and I, working with Bill Sansom and others can help to coordinate that mechanism. I think that is a good idea.

When you look at the difference between airline decisions and marketplace decisions, it is not simply that we are failing to maximize on market clout here in Knoxville. There are also distortions in the way the market operates. In this case, the most obvious distortion is that there is an artificial scarcity of landings and takeoff slots at National Airport, right?

Dr. MUNDY. That is correct.

ALLOCATION MECHANISM NEEDED

Senator GORE. The marketplace cannot deal with the excess demand for landing and takeoff at National. There has to be an allocation mechanism in direct conflict with the pure free market principles; correct?

Dr. MUNDY. That is correct.

Senator GORE. Who should control that allocation if there is a scarcity, and if the public clearly has an interest in how the scarcity is allocated, does it make sense to surrender complete control to the airlines?

Dr. MUNDY. You are asking for a private opinion now. It really does not. They in essence are controlling complete access to that very viable market. We have been wrestling with that problem—when I say "we," the Department of Transportation has been wrestling with that issue for 18 months and they had proposed a lottery, and that was unacceptable. If they do attempt to simply sell those slots off to the highest bidder, what may happen is, the inequities that we have in the present system with the business travelers paying more and the personal passenger traveler, consumer traveler paying less, may only be aggravated even further. We may drive up the price with a competitive bidding situation.

It is truly an area where perhaps only greater increases in capacity at National are forcing folks to fly into Dulles might be the only short-term solution they have to that problem.

Senator GORE. Suppose that is not practical because there is a passenger limit at National, and it is a small, old airport that cannot be readily expanded?

If you assume, as most people do, that the scarcity is going to persist, should we not modify that allocation mechanism to take into account the public interest in assigning those landing and takeoff slots?

Dr. MUNDY. There is no question that we should.

SELF-DESTRUCTIVE BEHAVIOR OF AIRLINES

Senator GORE. All right.

All right.

Well, I appreciate that.

Now, let me explore further the difference between the market decisions and airline decisions.

A reliance on supply and demand assumes that participants are going to use a rational frame of mind. All right. In order to work well, it would require rational decisionmaking.

How do you account for the self-destructive behavior of so many airlines in the wake of deregulation?

We have seen many airlines literally close their own doors through bad decisions that have reduced the number of primary carriers in the country. How do you explain that? Braniff and Air One are going out of business; Pan Am and Continental are in a precarious situation. How do you explain that?

Dr. MUNDY. First of all, I do not think any airline executive since deregulation has ever made a decision that he or she thought would put their airline under. They have simply made poor strategic decisions, involving an awful lot of money and an awful lot of people. But that is one of the prices we pay for a free market system. Fifty percent of all the retail businesses we start each year fail within the first 2 years.

We have brought the airlines from a heavily regulated industry to one that is totally deregulated in their retail concerns and they probably have a better survival record than average new-start businesses.

I think on the whole, it is one of the prices we have to pay for having a deregulated industry.

AIRLINES ACT IN PERVERSE WAYS

Senator GORE. OK. That is a good, solid answer. But let me ask about a different aspect of the same question.

Is there not something about the dynamics of the marketplace that tends to encourage airlines to act in perverse ways; specifically, we have United Air Lines eliminating a route that was highly profitable and they are taking that landing slot in order to enter a market where their flights are below cost. I mean, they are eliminating a flight that makes a lot of money and they are taking the scarce slot that is allocated to them and are using it for a flight in which they are losing a lot of money. Now, that is not just stupidity on the part of United Air Lines, that is the result of a perverse structure to the hub and spoke system, and to the way the marketplace is evolving with these regional divisions where one airline wants to dominate in a regional division, and none of them want to give up their bid in those corridors, right? I mean, is thisnot what is happening?

Dr. MUNDY. Senator, that is part of the rationale for those kinds of managerial decisions on the part of the carriers. But it is not a perverse decision on their part. It is part of a 1-year, 2-year, 5-year strategic plan to gain market share and over a period of time be more profitable than they would be serving the Knoxville market.

Senator GORE. Maybe, maybe not. The strategic plans of these other airlines we just talked about have lead them into bankruptcy. Due to the structure of the marketplace, they have been forced to shift into these losing runs in order to try to survive, and yet many of them have not made it.

Dr. MUNDY. That is the problem you have.

Senator GORE. Well, yes. That is the problem that Knoxville has, too.

But just briefly, I appreciate your testimony, Mr. Newkirk and if I had more time I would explore it in more detail, but since we are running short on time, I just want to ask a few short questions to Mr. Yawn.

You are representing the Air Transport Association which is made up of the airlines; is that correct?

Mr. YAWN. I represent Republic Airlines. I am presenting the testimony that you have written on behalf of ATA.

Senator GORE. I see. OK.

Well, now, are you prepared to respond to questions about the Air Transport Association's policy in this area?

Mr. YAWN. No, sir.

Senator GORE. All right.

Mr. YAWN. One of the reasons we wanted to be present was to assure you and Senator Sasser that the Air Transport Association would be willing to cooperate in any endeavor you undertake to improve the quality of service in Knoxville and the eastern Tennessee region.

Senator GORE. Thank you very much, and I appreciate your courtesy in coming today and presenting the testimony of the Air Transport Association.

Thank you.

KNOXVILLE AIR SERVICE HAS NOT DETERIORATED

Mr. YAWN. Could I add one statement to that.

Senator GORE. Yes. Sure.

Mr. YAWN. And it comes as a result, and this is an individual more representing Republic and very interestingly the State of Tennessee.

In listening to the testimony today it is quite obvious you have a specific problem.

Senator GORE. Yes.

Mr. YAWN. In reading your editorial you have a specific problem, and I am aware of what it is. But in talking about this problem we have painted with a wide brush that the Knoxville air service has deteriorated badly, and that is not really the case if you look at the facts and figures and the flights that you have.

In some instances you have an improvement of service when you go west out of here. If you go through the Memphis hub where we now have 153 departures a day by one airline alone, you have an improvement of service. Anything west of Memphis, far and beyond anything Knoxville ever had before. In other areas, going to Atlanta, your service is improved; so I think if we could think in terms of focusing on what the real problems were and not paint the whole airline industry as being bad for Knoxville, it might help a little bit.

Senator GORE. I think that is a fair clarification, and there might be some dispute about whether it is fair to make that overall characterization, but certainly the biggest part of the problem is the loss of service to New York and the loss of service to Washington National, of wich we are focusing on. We do not want to paint with too broad a brush, but many would disagree with your statement that there has been overall improvement.

Thank you, Mr. Chairman.

NUMBER OF SEATS LEAVING KNOXVILLE HAVE DECLINED

Senator SASSER. Thank you.

Mr. Yawn, I do not want your statement to go unchallenged here without giving what I consider to be some contrary documentation.

Our information indicates that as I said earlier the number of seats leaving Knoxville have declined. In July 1978, seats per week leaving Knoxville were 23,119. In December 1984, that was 21,883 seats, a decline of 5.4 percent. And a decline from December 1983 to December 1984, 26,000 seats in December 1983, down to 21,883, as I said earlier, in December 1984, a decline of 17.25 percent.

So we do have a decline in the number of seats leaving this area.

Now, there has been, in all fairness, an increase in the number of departures from July 1978, to December 1984, although there has been a decline in departures from December 1983 to December 1984. But I think we may be contrasting apples and oranges there. There is a big difference, in my judgment, between a large pure jet aircraft, like a 727 or a 737, going directly to Washington or New York or Chicago and a small turboprop seating eight people going to Charlotte, NC, for example. I think there is a substantial difference in the quality and the quantity of service that is afforded a local community; and this is a problem, as you know, that is not unique to Knoxville. We have had the same problem in Chattanooga. Memphis is indeed fortunate that Republic is hubbing out of Memphis. That gives that city a very good air service; and also I might say gives it a competitive, in my judgment, economic advantage over the cities here in eastern Tennessee.

I want to thank this panel for appearing here today and, Dr. Mundy, I want to also say a particular thanks to you for walking into the lion's den here today and defending your views on airline deregulation. Thank you very much.

We have got an additional panel, a public interest panel, that wishes to have their viewes aired here today and we welcome you.

Mr. Richard T. Cate, the director of Urban and Government Affairs of the Greater Knoxville Chamber of Commerce, is here and would like to be heard.

Gentlemen, I would ask you to summarize your observations as tersely as possible because we are running out of time here.

Mr. CATE. Senator, David Patterson, who is president of the Tennessee Technology Foundation, would like to make a brief statement.

Senator SASSER. All right.

Please have a seat, Mr. Patterson.

STATEMENT OF DAVID PATTERSON, PRESIDENT, TENNESSEE TECHNOLOGY FOUNDATION

Mr. PATTERSON. Senator Sasser and Senator Gore, I realize that the hour is getting late and I cannot think of a more enviable position to be at the tail end of three distinguished panels we have had so far, but I would like to add a couple of comments.

IMPROVED AIR SERVICE NEEDED

No. 1, I feel a little bit uncomfortable being in the interest to just asking to be deregulated when we are talking about reregulating the airlines; but be that as it may, I think it needs to be emphasized today that the unanimity almost of opinion of Knoxville resi-

dents and Knoxville industry and Knoxville CEO's is that we need improved air service. It reminds me of—Clark Clifford tells a story quite often about he did something when he was Secretary of Defense and an avalanche of letters came in against him. Then one day his secretary came in and said, Mr. Clifford, she said, we have a favorable letter. He said, let me see it quickly. And he read it and it was written in crayon on lined paper, and it said, Mr. Clifford, I think you are the greatest Secretary of Defense we have ever had; you would make a good President of the United States and he was just beaming; and it says, P.S. I guess you wonder why I wrote this in crayon. He said, they won't let me have a sharp instrument. [Laughter.]

Quickly, Knoxville hosted a very successful World's Fair in 1982, and the attention of the world was on Knoxville; and I think we have used that exposure to attract a lot of good solid industries and clean industries; and I think one of the way we got them was good air service.

We also owe an obligation to the industries that came here years ago in which we had good air service; and I think that speaks for itself.

I am repeating a lot of things that have been said. But I think one thing that has not been said is that good industry that we need is convention industry. And national conventions will not come to a destination city such as Knoxville unless they have adequate air service. We need good one-stop, nonstop air service to Washington and other destination cities. I think the case has been well put today and I rest my case.

Senator SASSER. Thank you, sir.

STATEMENT OF GEORGE MORGAN, CHAIRMAN OF THE BOARD, VALLEY FIDELITY BANK

Mr. MORGAN. It broke my heart not to get in some of these debates as an exacademic that used to study public utilities; and I think that it always intrigues me how much we have forgotten for the reason why we had a lot of the public utilities regulation that we did have.

Bill Willis, or any other public utility executive could not decide to no longer serve podunk because they just were not making enough money there. We have got regulations to prevent that so that podunk does not dry up and blow away, and I am afraid that is a little bit of what we have here.

I am concerned about—I just want to make two additional points. I agree with most of the other points that were made.

BUSINESS TRAVELER IS IN A BAD SITUATION

One is that the business traveler has got to be distinguished from the recreational traveler, and there has been a smearing of that by those people that are defending the deregulation. The business traveler is in a bad situation, not just here but all over the United States.

LOSING BUSINESSES BECOMES A PROBLEM

Two, we are in threat not just of running into trouble from losing our ability to attract new businesses in here. That is a very difficult job even if all things were equal. But we are also running into a problem with losing businesses that we have here that we struggled hard to start up, not just the ones, the big ones that are branch plants, but the little ones, the guys that are really in a desperate competitive situation from day one. I am in the process of losing one of my close personal friends who is moving to Atlanta because living in Knoxville costs him about 12 hours a week of time, and this is a man that is on the road 5 days a week. And so cannot afford to give up that much more time from his family. He is moving to Atlanta. Not because the service between Atlanta and Knoxville is not good, in terms of the scheduled lines. It is just the doggoned things do not fly on time; and so he is going there.

We are really hurt with this; we hope you can do something to solve it; I suspect that Knoxville is not the only community in the United States that has an economic growth potential that is being hurt. And it is not just a matter of begging your neighbor, trying to take industry from some place else. It is a matter of trying to spread the industry out all over the United States. And that is something which had begun and I suspect that if this airline thing keeps up it is going to decline from the rate it had been doing.

Thank you.

Senator SASSER. Thank you very much, those are points well made.

Mr. Cate.

STATEMENT OF RICHARD T. CATE, DIRECTOR, URBAN AND GOVERNMENT AFFAIRS, GREATER KNOXVILLE CHAMBER OF COMMERCE

Mr. CATE. Senator Sasser, and Senator Gore, I want to reemphasize, we certainly do appreciate your taking the time, initiative and effort to be here to address this problem; and we are very proud of that.

Let me reemphasize again the type of industrial development that we are trying to seek in the Knox-Anderson and Blount County areas is a type that deals with great amounts of flexibility; travel schedules have to be arranged, as you point out, Senator Sasser, literally overnight and within hours.

AIR SERVICE IS CRITICAL

I will say one more thing that has been said once. I think it cannot be said too many times. We do not know how much industry we lose. I have been with industrial prospects when they have gotten here and then looked at the airline schedules and walked out. We do not have any idea how many industries look at the airline schedule in their corporate office and never even bother to call. And I think that is a point that cannot be made enough. That is a critical thing.

I have learned a new term in the last 3 or 4 months that we have been dealing with this. It is called per passenger yield. It is a

term the airlines use, and it is my strong opinion and that of our committee in the three chambers that the per passenger yield in dollars for any airline that can provide direct service to most major cities out of Knoxville will be great, and it relates to what Senator Gore said, the points he was bringing up about moving in to get in the fare wars and discontinuing what had to be an extremely profitable flight.

I wanted to make those comments and again, on behalf of all of us, thank you all very much for having these hearings today.

Senator SASSER. Well, thank you very much, gentlemen, and on behalf of Senator Gore and myself I would like to thank all the witnesses for participating in these hearings today. I think the testimony that we developed here has been very illuminating and I think it will be very helpful in seeking to shape and formulate remedies to the problems of air service we have here in Knoxville, and the problems of air service we have in other areas of east Tennessee.

If any individual wishes to submit additional testimony for the record, the record will remain open until June 30 and this testimony may be submitted to my office here in Knoxville at room 320 of the Old Post Office Building.

Do you wish to make a final statement?

Senator GORE. I would like to join you in thanking all of the witnesses and say, for the record, that of course this is only a beginning or really a mid-point. We have been working on this, and I hope it is a turning point. We are going to take this evidence back and renew our efforts to try to solve this problem.

I would like to reiterate my thanks to Senator Sasser for taking the initiative in organizing this hearing and in leading the fight to restore air service to Knoxville. We are working very closely together on this, and I hope we will be successful.

Senator SASSER. Thank you, Senator Gore. And on behalf of the Senate Budget Committee, I hereby adjourn these hearings and let us all try to get an airplane out of town. [Laughter.]

[Whereupon, at 4:12 p.m., the committee adjourned.]

Airport Dealer Advertising Association, Inc.
3163 Airport Highway • Alcoa, Tennessee 37701
Phone: 615/970-3152

May 29, 1985

The Honorable John J. Duncan
The Honorable Albert Gore, Jr.
The Honorable James R. Sasser

Gentlemen:

Welcome to the Airport Motor Mile

The eleven new car and truck dealers, whose businesses anchor this vital commercial center of Alcoa, certainly recognize how essential both good air and surface transportation are to the economic life of a growing metropolitan area. We appreciate your interest in upgrading the current levels of air service at McGhee-Tyson as evidenced by this hearing.

Civic and business leaders from Oak Ridge, Knoxville, and Maryville-Alcoa are committed to the active growth of the Technology Corridor, including completion of the Pellissippi Parkway extension to link Oak Ridge to this airport area, as well as the improvement in air service necessary to attract new industry.

We are proud of the fine terminal facility here. It is distressing to witness deterioration of key air service routes such as Washington and New York at a time when most other elements see to be moving forward in terms of enhanced economic growth for our area.

Thank you again for your interest and your presence at this hearing

Sincerely,

Robert J. Murphy
Executive Director

RJM/ec

ALUMINUM COMPANY OF AMERICA

ALCOA, TENNESSEE 37701

ALCOA

DEPARTMENT
TELEPHONE
OR WRITER
P O BOX 9128

May 29, 1985

The Honorable James R. Sasser
The Honorable Albert Gore, Jr.
The Honorable John J. Duncan
United States Congress
Washington, DC 20515

Gentlemen,

Your interest in the quality of air transportation available to the greater Knoxville area, as evidenced by your participation in today's hearing and other continuing efforts, is deeply appreciated by all of us who have a concern for the future of the region.

In my capacity as Manager of one of the State's larger manufacturing facilities, I can attest from experience the importance of being able to reach customers and be convenient for the many business travelers going to and from our operations. Air transportation is a key element in the continuing development of the Tennessee Technology Corridor.

The airport facilities we have in place are among the best I've seen for a city the size of Knoxville; I, therefore, see little reason that one or more of the major carriers could not select McGhee-Tyson for a hub operation. This would provide additional jobs, increase revenue, improve service and serve a large region. Your influence can certainly help this possibility.

Sincerely,

Richard E. Ray
Operations Manager

RER:mg

ATOM SCIENCES, INCORPORATED
114 Ridgeway Center
Oak Ridge, Tennessee 37830 (615) 483-1113

May 29, 1985

The Honorable Senator Albert H. Gore, Jr.
The Honorable Senator Jim Sasser
The Honorable Congressman John Duncan

Gentlemen:

As a private, growing business in Oak Ridge, we would very much appreciate your assistance in helping improve our airline service in Knox County. Our employees travel quite a lot, and we have visitors flying into our area to visit our facilities very often. Good airline service is extremely important to our continued economic development. (We particularly would like to see major airline accomodations directly to and from Washington, D.C. on a daily basis.) We therefore will be grateful for your efforts on behalf of all businesses in our area who depend on good airline service.

Sincerely,

Hal Schmitt

Harold W. Schmitt
President

HWS:cw

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EDWARD A. GOR, JR.
JANIE C. PORTER
CHRISTOPHER A. HALL

BURWARD B. JONES
OF COUNSEL

May 27, 1985

Mr. William Sansom
President
Knoxville Chamber of Commerce
Knoxville, Tennessee

Dear Bill:

Until late in 1984 United Airlines operated a daily non-stop service from Washington to Knoxville and return. The service was excellent, the loads appeared to be good, but apparently United did not think it fit in with their hub and spoke system, and they have now discontinued those flights. This leaves Knoxville without non-stop service.

Since I have left the Senate I travel to Knoxville a great deal. I find that is not only a major inconvenience to me, but I believe it is also a major problem to Knoxville and its future development. Knoxville is uniquely related to Washington because of the presence of the Tennessee Valley Authority, the Oak Ridge National Laboratory, The University of Tennessee and other major governmental and private undertakings.

The purpose of this letter is to express the hope that it might be considered by the different airlines to add a Knoxville-Washington route to their schedule.

Sincerely,

Howard H. Baker, Jr.

HHBJr:dl

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CHRISTOPHER A. HALL
FREDERICK B. FIELDS
SARAH T. PITTS *
M. DENISE MORETZ

DURWARD S. JONES
OF COUNSEL

* ADMITTED IN TEXAS ONLY

May 28, 1985

Mr. William Sansom
President
Knoxville Chamber of Commerce
Knoxville, Tennessee

Dear Bill:

As an individual who has always been totally committed to the interests and welfare of Knoxville and surrounding counties, I cannot stress too emphatically the need for all airlines to reasses their thinking on the Knoxville-Washington, D.C. service. With the presence of TVA, Oak Ridge National Lab, the University of Tennessee, district offices for two senators and two congressman, it is obvious that convenient airline schedules are a necessity.

Therefore, I would like to add my voice to others expressing hope that a Knoxville-Washington, D.C. route be added by the different airlines.

Sincerely,

Robert F. Worthington, Jr.

RFW/jrm

BLOUNT COUNTY
CHAMBER OF COMMERCE

May 30, 1985

The Honorable James Sasser
The Honorable Albert Gore, Jr.
The Honorable John J. Duncan
United States Congress

Gentlemen:

As you know, the Blount, Knoxville, and Oak Ridge Chambers of Commerce are vitally interested in working together to improve air service to McGhee Tyson as it relates to the economic future of our region. We are most pleased that you too have taken an interest in this matter which is indicated by today's hearing.

I am sure you will agree that the potential for economic growth in our region is excellent; however, to insure our success, we must continually work to improve the services that play a vital role in attracting new industry to our area. In an increasingly mobile society, good air service is certainly a major factor for future economic growth.

Again, your interest in this matter is appreciated.

Sincerely,

James N. Proffitt, President
Blount County Chamber of Commerce

JNP/mat

309 S. Washington Street • Maryville, Tennessee 37801 • (615) 983-2241 • Telex 55-1893

BLOUNT COUNTY GOVERNMENT

ROBERT J. DAVIS
COUNTY EXECUTIVE

BLOUNT COURTHOUSE
COURT STREET
MARYVILLE, TN 37801

(615) 982-1302
(615) 546-7153

May 28, 1985

Honorable James R. Sasser
U. S. Senator
298 Russell Senate Office Building
Washington, DC 20510

Dear Mr. Sasser:

I am sure you are aware of the need for direct air flights from this area to Washington, D.C. Blount County is currently attracting international trade and is actively recruiting this trade. Thus direct access to an international airport is vital. I have been awed by the number of British firms that have come to this county in the last few years and expect the trend to increase. I have been impressed with the joint effort of Knox, Anderson and Blount counties to work together to bring these industries to East Tennessee.

I realize that you are interested and already know of the need. I feel that the public hearing will bear out the fact that there is a need for direct access. Thank you for your time and efforts and your interest in East Tennessee and all of Tennessee for that matter.

Sincerely,

Robert J. Davis

Robert J. Davis
County Executive

RJD/mg

BOEING ENGINEERING COMPANY SOUTHEAST, INC.
767 BOEING ROAD
OAK RIDGE, TENNESSEE 37830-7999

RICHARD L. GRANT
PRESIDENT

May 28, 1985

Dear Jim:

I would like to express my appreciation of your efforts to assure convenient, high quality airline service to the Knoxville/Oak Ridge area.

Convenient and broad-scoped air service is an important ingredient in the economic well being and the business and industrial stability and growth of any metropolitan area. The Knoxville/Oak Ridge area is particularly dependent on air travel by the very nature of its indigenous business and industry. Close coordination with government and private sector entities throughout the nation and the world are essential ingredients of many of the existing enterprises and will be critical considerations in any new or expanded economic opportunities.

The fine U.S. airline industry has contributed greatly to the success of business and industry throughout the nation and is truly a national asset. I consider any actions valuable which make air travel in and out of this area easier. However, I also understand the business realities experienced by airlines and hope that the community will support the current airline service at McGhee Tyson as well as any expanded or new service.

Sincerely,

Dick

The Honorable James Sasser
U. S. Senate
Russell Senate Office Building
Washington, D. C. 20510

CABOT CORPORATION 1974 OAK RIDGE TURNPIKE, P.O. BOX 1157, OAK RIDGE, TN 37831

VICE PRESIDENT TEL. 615 482-1963

May 29, 1985

The Honorable John Duncan
The Honorable Albert Gore, Jr.
The Honorable James Sasser
Washington, D.C.

Dear Sirs:

As a resident of Oak Ridge who frequently flies from Knoxville (three trips per month), the inadequate level of service is a factor to be reckoned with on just about every trip. It almost seems as though Knoxville has been forgotten.

The inadequate level of air service is, no doubt, a negative factor when a company is deciding whether or not to locate a facility in this area.

I hope that you will do everything possible to see that this problem is solved.

Sincerely,

Charles Law McCabe
Vice President

CLM:rsr

CONSUMER
ELECTRONICS
CORP.

Interstate 40 and Straw Plains Pike P.O. Box 6950, Knoxville, TN 37914 Tel. (615) 521-4309

BRUCE A. EVERLY, Vice President — Administration and Public Affairs

28 May 1985

Mr. Darrell D. Akins
Executive Vice President
Greater Knoxville Chamber of Commerce
301 Church Avenue
Post Office Box 2688
Knoxville, TN 37901

Dear Darrell:

I understand that Senator Gore, Senator Sasser and Congressman Duncan will be in Knoxville Thursday, May 30, for the purpose of conducting public hearings concerning air service to and from Knoxville.

I am addressing this letter to you with the request that you arrange to have a copy delivered to our elected representatives to the House and Senate.

Air service to Knoxville since we moved our headquarters from Fort Wayne, Indiana in 1979-80, has been either at a standstill or deteriorated to a point of serious inconvenience to our business travel requirements. Of interest is our annual travel cost average of $2.5 million, which means we have a lot of people flying in and out of Knoxville daily. In addition, just our presence as executive, purchasing, finance and R&D headquarters for Magnavox, Philco and Sylvania audio-video probably draws another $1,000,000 of air fare costs from arriving and departing visitors. Our logs show we average 75-100 visitors each day throughout the year.

The fact that there are no major airlines with direct service to and from New York, Washington, Dallas or even Nashville imposes a hardship on our business travels as well as our visitors. Another disadvantage to traveling from Knoxville is that the bargain fares available from other major cities to destinations we also frequent are not offered to the same degree. In short, it costs the Knoxville passengers more money to fly from here.

A NORTH AMERICAN PHILIPS COMPANY

It is encouraging to us that Senators Gore and Sasser and Congressman Duncan consider this issue of importance and are conducting these hearings in the area. I am hopeful that some improvement of air service to and from Knoxville will result.

Sincerely,

Bruce A. Everly

BAE/bc

ELOGRAPHICS, inc.
105 RANDOLPH ROAD / OAK RIDGE, TENNESSEE 37830 / TELEPHONE (615) 482-4100

May 29, 1985

Senator James Sasser
298 Russell Building
Washington, DC 20510

Dear Senator Sasser:

Elographics is a high tech manufacturer of computer peripherals with sales in national as well as international markets. Few of our customers or vendors are in the Knoxville area and consequently a great deal of travel is required by our sales and management personnel. Many visitors to Elographics use commercial air transportation.

We feel that good air service to Knoxville is not only essential for the growth of our business but for the general growth of the Technology Corridor.

All efforts on your part to improve this service will be greatly appreciated.

Sincerely yours,

William A. Gibson
President

WAG/bc

First American

First American National Bank
P.O. Box 511
Knoxville, Tennessee 37901

May 30,1985

Honorable James Sasser
U.S. Senate
298 Russell Senate Office Building
Washington, D.C. 20510

Honorable John J. Duncan
U.S. House of Representatives
2458 Rayburn House Office Bldg.
Washington, D.C. 20515

Honorable Albert Gore, Jr.
1131 Longworth House Office Building
Washington, D.C. 20515

Gentlemen:

I am writing to express my concern over the lack of airline service into Knoxville; specifically the recent decision to discontinue direct service to Washington D.C.

The lack of service into the Knoxville area is a major irritation, but more importantly is having a detrimental effect on the economic growth of this community. Corporations hesitate to locate here in part because of the inconvenience in trying to book flights in and out of the Knoxville area. Without new businesses to stimulate economic growth, Knoxville is simply not going to grow or reach the potential we all know is possible.

With the passage of the new Interstate Banking Bill, convenient air travel will become a greater necessity. New business development from our perspective at First American will be drastically effected without more efficient service into Knoxville.

I am in favor of reinstating direct airline service from Knoxville to Washington D.C. and will certainly support your efforts in this endeavor.

Sincerely,

Rufus B. King

Rufus B. King
President and Chief
Operating Officer

RBK:ej

First Tennessee Bank National Association
Box 528
Maryville, TN 37801
(615) 977-5100

May 28, 1985

Honorable Albert Gore, Jr.
United States Senator
Senate Office Building
Washington, DC 20510

Honorable Jim Sasser
United States Senator
298 Russell Building
Washington, DC 20510

Honorable John Duncan
United States Representative
2458 Rayburn House Office Bldg.
Washington, DC 20515

Gentlemen:

We are pleased to learn of your investigation into our transportation service for the greater Knoxville area. Adequate air transportation is not only convenient and efficient as we go about conducting our every day business, but is so critical to the development of the economy for this entire region.

The hearings which you are now holding will provide you the opportunity to learn first hand the need for improved air service. We applaud your efforts.

Sincerely,

LEW E. WEEMS
President - Maryville Region

LEW/sg

HOME FEDERAL
OF TENNESSEE
Home Federal Savings Bank of Tennessee
Member FSLIC

May 28, 1985

The Honorable James Sasser
298 Russell Senate Office Building 10
Washington, D. C. 20510

Dear Senator Sasser:

May I take this opportunity to express to you some of my thoughts as to the general availability of regularly scheduled air service to and from Knoxville. It is apparent to those of us who are active in the business community that our immediate need is for more direct flights to and from the major cities, including, of course, Washington, D.C.

While I do not travel as frequently as others may, I have always found that the majority of flights in and out of Knoxville are completely full. It would seem that if that is the case, the trips should be profitable to the airlines and should suggest the need for consideration of an expanded service to this area.

As our population and economy in the Knoxville area continues to grow and expand, it is to be hoped that the airlines can be convinced to give immediate attention to improved and increased service to this portion of the state.

Sincerely,

David E. Sharp

David E. Sharp
President

DES:ldk

515 Market Street • Knoxville, Tennessee 37902 • Phone (615) 546-0330

INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
HEALTH & EDUCATIONAL FACILITIES BOARD OF THE COUNTY OF KNOX
301 CHURCH AVENUE, POST OFFICE BOX 2268
KNOXVILLE, TENNESSEE 37901
615/637-4550

May 30, 1985

The Honorable James Sasser
United States Senator
298 Russell Senate Office Building 10
Washington, D. C. 20510

The Honorable Albert Gore, Jr.
United States Senator
1131 Longworth House Office Building
Washington, D. C. 20515

The Honorable John J. Duncan
U. S. Representative, Second District
2458 Rayburn House Office Building
Washington, D. C. 20515

Gentlemen:

As Chairman of the Industrial Development Board of the County of Knox and the Health, Education and Housing Facilities Board of the County of Knox, I am writing to express my great concern regarding the deterioration we have experienced in our air service during recent years. As you might expect, our Industrial Board reviews hundreds of requests for Industrial Revenue Bonds annually. Our staff indicates to us that one of the major problems we have been experiencing recently in relation to companies desiring to locate in our region is the lack of direct air service to many cities across the United States.

If the Knoxville region, and the State of Tennessee as a whole, is to compete with other areas of the United States, it is absolutely imperative that our current deficiencies in the area of air transportation be corrected immediately.

It is further our opinion that data submitted through this public hearing today will prove to all major carriers that the per passenger yield from "direct" flights to and from Knoxville will prove extremely productive to individual companies.

We seek your assistance in this most critical matter. We urge your immediate and relentless involvement in our concentrated efforts to

improve our air service so that the entire Knoxville region may enjoy the proper level of economic development and competitive business growth.

Please advise us of your position relating to this matter.

Sincerely yours,

Hop Bailey, Jr.
Chairman

HB/sj

Knox County Government
Suite 551
City-County Building
400 Main Avenue
Knoxville, Tennessee 37902

Dwight Kessel
County Executive

615 521-2005

May 24, 1985

The Honorable James Sasser
United States Senator
New Senate Office Building
Washington, D. C. 20510

Dear Senator Sasser:

Since high growth companies are relying on air lines to transport not only for their professional staffs but for shipment of products and components, the lack of adequate air transport opportunities can hurt the economic growth of our area.

I know you are aware there is no longer direct service from Knoxville to Washington, D.C. and while deregulation has resulted in many positive benefits for the travelers there are a few negative impacts on midsized markets such as the Knox County area.

I think it would be very beneficial for local representatives to begin a dialogue with airline authorities to identify possible solutions to resolve this situation.

Sincerely,

DWIGHT KESSEL
KNOX COUNTY EXECUTIVE

Knoxville
TENN

May 24, 1985

Senator James Sasser
Senate Office Building
Washington, D. C. 20510

RE: Airline Service to McGhee Tyson Airport
Knoxville, Tennessee

Dear Senator Sasser:

As executive director of the Knoxville Area Convention & Visitors Bureau, I am extremely interested in the quantity and quality of air services offered through McGhee Tyson Airport here in Knoxville.

In any given calendar year, the Knoxville Convention Bureau staff works with hundreds of organizations that plan conventions in cities throughout the United States. In an attempt to have Knoxville selected as a convention site, in every case, when the bureau makes a sales presentation, frequency of convenient air service is a prime consideration in the city selection process. As a result, it is a primary goal of this organization to assure that Knoxville offers the best and most convenient flight service possible.

In 1985, the city of Knoxville will host approximately 300 major meetings and conventions involving over 100,000 delegates. I'm sure that we could improve these numbers if we were to have a greater number of direct, non-stop flights from major urban areas.

We sincerely hope that you will give this matter your support whenever possible.

Sincerely,

Al Treadaway, CHSE
Executive Director

/th

KNOXVILLE AREA COUNCIL FOR CONVENTIONS AND VISITORS, 500 HENLEY STREET/P.O. BOX 15012/KNOXVILLE, TN 37901/(615)523-7263

PROFESSIONAL MEMBER, INTERNATIONAL ASSOCIATION OF CONVENTION & VISITOR BUREAUS

Knoxville Utilities Board
ELECTRICITY GAS WATER
626 GAY STREET S.W. P.O. BOX 1951
KNOXVILLE, TENNESSEE 37901

May 29, 1985

The Honorable James Sasser
United States Senator
298 Russell Senate Office Building 10
Washington, D.C. 20510

The Honorable Albert Gore, Jr.
United States Senator
393 Russell Senate Office Building
Washington, D.C. 20515

The Honorable John J. Duncan
United States Representative
2458 Rayburn House Office Building
Washington, D.C 20515

Dear Senators Sasser and Gore and Congressman Duncan:

Transportation is a key factor in the economic, community and industrial development of any community. Therefore, it is imperative that the Greater Knoxville Area have viable air transportation to compliment the other forms of transportation.

In a recent study conducted by the University of Tennessee-Knoxville on industries planning to relocate or expand in Tennessee, there were some interesting positive and negative factors revealed. Most important of the positive factors were the high productivity of our workers and low union involvement. The biggest shortcoming Tennessee has is the poor air transportation and school system. Therefore, your efforts and endeavors to improve our State's shortcomings are sincerely supported.

To each of you, we wish to express our personal appreciation for your efforts and hard work for what you have done and are doing for Tennessee and especially the air transportation in the Knoxville area. May your efforts not go in vain and our negative factors turned into positive ones.

Sincerely,

E. C. Hoskins
General Manager

eb

May 28, 1985

Senator James R. Sasser
298 Russell Senate Office Building
Washington, D. C. 20510

Senator Albert Gore, Jr.
716 U. S. Courthouse
Nashville, TN 37203

Congressman John J. Duncan
318 Post Office Building
Knoxville, TN 37902

Gentlemen;

Thank you for working with our Knoxville Chamber of Commerce to improve our commercial air traffic schedule. All of us in Knoxville are most appreciative of the special attention each of you are giving our efforts to improve our air transportation service.

Sincerely,

F. Rodney Lawler
President

FRL:gan

LAWLER-WOOD, INC./Suite 1300/Plaza Tower/Knoxville, Tennessee 37929/Telephone (615) 637-7777

LOCKWOOD GREENE

May 28, 1985

Senator Jim Sasser
320 Federal Building
Knoxville, Tennessee 37902

SUBJECT: McGhee Tyson Airport

Dear Senator Sasser:

In the development of industrial growth for East Tennesee, two factors reign paramount. A good labor market and transportation. Companies place a high degree of importance in their evaluation criteria on the ability to expeditiously travel from one location to another. Preferably, the transportation will be via direct flights between destination without an internal layover. One only has to examine the rapid growth of industrial and service businesses that is taking place at each of the airport transportation hubs to qualify this importance. The second most desirable situation is direct flights from points thru a hub to final destinations. East Tennessee cannot afford the loss of any of these types of flights. Especially critical are areas such as Washington, New York, Cleveland, Chicago, St. Louis, and Atlanta.

Over the past five years since Lockwood Greene established our engineering office in Oak Ridge, we have enjoyed a tremendous growth in the quantity of flights from McGhee Tyson. This has made possible our viability as an East Tennessee Engineering consultant. Much of our business is in states outside of Tennessee and requires us to be able to reach a destination rapidly and return within the same day. We presently have over a five million dollar payroll, and are one of the largest private consultant engineers in the State. If we are to remain, continuation of the airport growth and the Pellisippi Parkway extension are absolute requirements.

We greatly appreciate the support you have provided to East Tennessee and wish you continued success.

Respectively,

LOCKWOOD GREENE ENGINEERS

M. Lane Fowler
Sr. Vice President

MLF:gs

MANUFACTURING SCIENCES CORPORATION

P.O. Box 886 Oak Ridge, Tennessee 37831 (615) 481-8455

May 29, 1985

The Honorable James R. Sasser
United States Senate
298 Russell Building
Washington, DC 20510

The Honorable Albert A. Gore, Jr.
United States Senate
393 Russell Building
Washington, DC 20510

The Honorable John J. Duncan
House of Representatives
2206 Rayburn Building
Washington, DC 20515

Gentlemen:

I am writing to express my support for your efforts to improve scheduled airline service to and from McGee-Tyson Airport. Non-stop service to Washington, DC National Airport is of particular and immediate interest.

Manufacturing Sciences Corporation is in the final stage of construction of a new 19,000 sq. ft. manufacturing facility in Oak Ridge. MSC is a subsidiary of Chamberlain National, Elmhurst, IL. Our customer base is not local and is located primarily in the Eastern U. S. Of the many factors considered in selecting the Oak Ridge location, airline travel did not weigh either negatively or positively. However, since that selection was made the service to Knoxville has been severely curtailed. I am sure that the present state of airline service will hamper our ability to achieve our projected busines growth in Oak Ridge and may adversely affect decisions for further investment in the area by our parent corporation.

Your consideration of the importance of airline service to the growth of business in our area is appreciated.

Sincerely,

Alan L. Liby
Vice President

ALL:bld

ACOM Panasonic
Electronic Components

Matsushita Electronic Components
Corporation of America

May 30, 1985

Honorable James R. Sasser
United States Senate
298 Russell Senate Building, #10
Washington, D.C. 20510

Dear Senator Sasser:

Matsushita Electronic Components Corporation of America (ACOM) is located in the Forks of the River Industrial Park and manufactures electrolytic capacitors and speakers. Our parent company in Japan, Matsushita Electronic Components Company, Ltd., is the world's leading manufacturer of electronic components.

One of the reasons for locating this manufacturing facility in Knoxville was the availability of transportation services. We believe that the Knoxville area provides an excellent environment for business growth. However, one of the shortcomings of this area is limited air transportation service. From an economic development standpoint, not only for business but for the economic development of the Knoxville community, it is imperative that the Knoxville air service be improved.

Our sophisticated technology qualifies ACOM to be considered as a Hi-Tech industry and, therefore, quality air transportation is imperative for our type of business. We plan to expand our operations in Knoxville in the future. A portion of the expansion decision will be dependent upon availability of air transportation service.

We appreciate your support of legislation to improve the air transportation service at the Knoxville airport. We look forward to working together for the mutual benefit of Knoxville business and the community.

Sincerely,

Kelly Kamishibahara
President

KK:ls

5105 South National Drive • Knoxville, TN 37914 • 615-673-0700

OAK RIDGE NATIONAL LABORATORY
OPERATED BY MARTIN MARIETTA ENERGY SYSTEMS, INC.

POST OFFICE BOX X
OAK RIDGE, TENNESSEE 37831

May 29, 1985

The Honorable James Sasser
Russell Senate Office Building
Washington, D.C. 20510

The Honorable Albert Gore Jr.
Russell Senate Office Building
Washington, D.C. 20510

The Honorable John J. Duncan
Rayburn House Office Building
Washington, D.C. 20515

Gentlemen:

I am writing to express my continued concern over the lack of direct flights between Knoxville, Tennessee, and Washington, D.C. The discontinuance in 1984 of the direct United Air flights has resulted in a substantial impact on our operations. Employees at Oak Ridge National Laboratory make about 3,000 flights per year at $400 per round trip, resulting in an annual $1.2 million expenditure of government funds. The additional personnel costs resulting from an increase in the round trip travel time from the previous two hours to the present eight hours is $900,000 per year. Additionally, overnight stays (hotels, meals, rental cars, parking) resulting from the longer flight times have increased annual costs by $200,000. Therefore, the discontinuation of direct air service between Knoxville and Washington has approximately increased by a factor of two the quantifiable costs of Oak Ridge National Laboratory's air travel to Washington, D.C.

There are also unquantifiable costs associated with the present indirect air flights. Our staff members are unable to communicate with their co-workers, management, or program sponsors during these longer flights. Morale and job performance suffer due to the long hours and many delays entailed in the present flight schedule involving transfers in busy airports.

I recognize that any airline must take into account many factors in establishing its flights. However, polls and my personal experience indicate that United Airlines' previous direct flights operated at high capacity. We believe that the slight incremental benefits United Airlines apparently accrued by discontinuing direct flights are outweighed by the inconvenience and additional costs to employees and employers in East Tennessee.

Sincerely,

Herman Postma

Herman Postma
Director

PATHWAY BELLOWS, INC.

W. S. REIMUS, P.E.
VICE PRESIDENT - ENGINEERING

May 28, 1985

Senator Albert Gore, Jr.
U. S. Senate
Washington, DC

Congressman John Duncan
House of Representatives
Washington, DC

Senator James Sasser
U. S. Senate
Washington, DC

Subject: Improved Air Service to Knoxvile

Gentlemen:

I would like to take this opportunity to communicate Pathway's strong desire for improved airline service to the Knoxville area. Effective January 1, 1985, Pathway consolidated its entire manufacturing operation from San Diego, California to its Oak Ridge, Tennessee facility. With this consolidation, both middle and upper management personnel were transferred from San Diego to the Knoxville area. A majority of the management transfers, along with the existing management personnel travel extensively between our Dallas, Texas and San Diego, California facilities. Also, with the consolidation of our manufacturing, numerous visits are made to our Oak Ridge facility from customers throughout the world.

It would be extremely beneficial to Pathway's increased business potential to have improved air service to the Knoxville area. In particular, increased frequency of non-stop flights to Dallas/Fort Worth, and Chicago would be most beneficial.

Thank you for allowing me to express Pathway's desire for increased air service to the Knoxville area.

Very truly yours,
PATHWAY BELLOWS, INC.

William S. Reimus, P.E.
Vice President - Engineering

WSR/mlk
ENG-85-051

Post Office Box 3027, Jackson Square
Oak Ridge, Tennessee 37831-3027
(615) 483-7444

Pilot

JAMES A. HASLAM, II
President

May 24, 1985

Senator Jim Sasser
298 Russell Senate Office Building 10
Washington, D. C. 20510

Representative John J. Duncan
2458 Rayburn House Office Building
Washington, D. C. 20515

Senator Albert Gore, Jr.
1131 Longworth House Office Building
Washington, D. C. 20515

Gentlemen:

Unfortunately, I am going to be out of town when you hold your meeting regarding improved air service to Knoxville. First of all, I commend each of you for doing this, because I know of nothing more important to the future of Knoxville than improving our air service.

In the Tennessee Technology Foundation's quest to bring high technology industry to our area, we have found that the three most important factors to high technology companies are:

1. Proximity to quality research universities, such as the University of Tennessee.

2. The quality of life in the area.

3. Air service

I think the bottom line to all this is very simple. The Knoxville-Anderson County-Blount County area will never be able to realize its full economic potential unless we get improved air service.

Once again, my thanks to you, Jim, Al, and John for doing this. I am certain that it will pay dividends for all of us in the Knoxville, Anderson County and Blount County area.

Best personal regards.

Sincerely,

James A. Haslam II

JAH:hb

cc: Mr. Bill Sansom
Mr. Darrell Akins

RENTENBACH ENGINEERING COMPANY

DESIGN - CONSTRUCTION - MANAGEMENT

KNOXVILLE, TENNESSEE 37919

TELEPHONE
(615) 546-2440

P.O. BOX 11087
2400 SUTHERLAND AVE.

May 30, 1985

The Honorable James Sasser
The United States Senate
298 Russell Senate Office Building
Washington, D. C. 20510

Dear Senator Sasser:

I want to thank you for coming to our area to meet and discuss our air service situation at McGhee Tyson Airport.

We anticipate a bright, economic development future here in the Greater Knoxville area. All of the required assets and amenities needed for a productive, strong future are presently possessed by our area. Whether it be expansion or relocation of general manufacturing, corporate headquarters or high technology businesses, we are prepared to absorb and serve this economic growth with one exception, our air service.

Our economic growth will be stifled if our air service declines or even if it is maintained at its present level. We are accepting the challenge of supplying new job opportunities and building the tax base for our area residents; however, we are unable to compete with marginal air service.

For many years we served a local market, but now we serve a world-wide market. Though stating our concerns, we are not asking for an exception because our reports can all be well justified.

We need your cooperation and we solicit your assistance to bring our East Tennessee area to a position of complete competitiveness where economic prosperity can be achieved.

Very truly yours,

RENTENBACH ENGINEERING COMPANY

T. M. Rentenbach
President

Robertshaw

ROBERTSHAW CONTROLS COMPANY

TENNESSEE DIVISION

P.O. BOX 400 ● KNOXVILLE, TENNESSEE 37901-0400

AREA CODE 615 ● TELEPHONE 546-0550 ● TWX 810-583-0143

May 29, 1985

Senator James R. Sasser
United States Senate
405 Russell Senate Office Building
Washington, D. C. 20510

Dear Senator Sasser:

We at Robertshaw Controls certainly have felt the impact of reduced air service to the Knoxville Airport. In past years we could travel to most major cities, conduct business and return in one day. Recently returning to Knoxville I was discussing this with a passenger whose company had re-located to this area - he stated "If we had known the air service would get this bad we certainly would not have considered the Knoxville area."

It has certainly had a very severe impact on our travel cost to the point we are driving to many of the closer cities. We are also having to restrict the number of people taking business trips. This, I feel, limits our exposure, has negative effects on orders which, in turn, affects the economy of the area. One of the standard statements made by our customers is - "You can't get to Knoxville."

Any assistance you can give in improving Knoxville air service we feel would improve the economy of the area.

Yours very truly,

TENNESSEE DIVISION
Robertshaw Controls Company

W. T. Moon
Vice President and General Manager

WTM:sm

METAL BELLOWS AND BELLOWS ASSEMBLIES. AUTOMOTIVE ENGINE COOLANT THERMOSTATS, EMISSION CONTROL DEVICES, TEMPERATURE AND PRESSURE REGULATORS, PRESSURE COMPOUND AND SPECIAL GAUGES, LIQUID LEVEL CONTROLS, PNEUMATIC INSTRUMENTATION AND VALVES

May 28, 1985

The Honorable Albert Gore
The Honorable James Sasser
The Honorable John Duncan

Dear Sirs:

Science Applications International Corporation (SAIC) shares the concern of many Oak Ridge businesses about the inadequacy of the commercial air service offered at McGhee-Tyson Airport in Knoxville.

The recent cancellation of direct flights to Washington, D.C., has resulted in increases in the amount of money and employee time expended to conduct business with clients there. It is now virtually impossible to make a 1-day business trip to Washington, thus incurring additional expenses for accommodations and per diem. Marketing efforts to bring in new business are also diminished because of these additional demands on time and money.

SAIC/Oak Ridge currently has seven satellite locations requiring staff to travel regularly to and from Knoxville. Thus, any cutbacks or depletions in available commercial service affect the effectiveness of establishing and managing these remote locations for potential development of future business opportunities.

The availability of convenient, competitive, quality air service is a proven stimulus to the growth of commerce in any area. SAIC wholeheartedly supports efforts to improve the current service available at McGhee-Tyson.

Sincerely,

SCIENCE APPLICATIONS INTERNATIONAL CORP.

Gerald U. Ulrikson
Corporate Vice President

GUU:TA

Science Applications International Corporation Jackson Plaza Tower, 800 Oak Ridge Turnpike, Oak Ridge, Tenn., 37830 (615) 482-9031

Other SAIC Offices: Albuquerque, Atlanta, Boston, Chicago, Colorado Springs, Dayton, Denver, Huntsville, La Jolla, Los Angeles, McLean, Orlando, Palo Alto, San Diego, Seattle, Tucson, and Washington, D.C.

May 29, 1985

The Honorable James Sasser
United States Senator
298 Russell Senate Office Building 10
Washington, D.C. 20510

Dear Senator Sasser:

Sea Ray Boats has been a member of the Knoxville community for eight years and employs approximately 800 people (500 at our Knoxville plant and 300 at our Tellico Lake facility). We now have six plants throughout the country servicing 140 dealers in the United States, Canada, and abroad.

Recently we have relocated our Corporate Headquarters here from Phoenix, Arizona. Our company plane, a Falcon 50 (presently being housed at PJS), and our company helicopter have also been moved here. We have transfered over 50 people to Knoxville who are all heavy travelers.

Commercial air service in and out of Knoxville is essential to our operation. We have many people traveling between our plants; dealers, suppliers, and company personnel visiting our Corporate offices; making calls to our dealerships; trips to our vendors facilities; etc. The future growth of Sea Ray Boats is tied to the Knoxville area and it is very important that we have first class air transportation provided.

Sincerely,

Phillip E. Felice
Vice President/Operations

PEF/jg

Sea Ray Boats, Inc.
2600 Sea Ray Blvd.
Knoxville, TN 37914
(615) 522-4181

STANDARD KNITTING MILLS, INC.

Healthknit KNOXVILLE, TENNESSEE 37901

RANDALL CHESTNUT
President
and
Chief Executive Officer

May 30, 1985

Senator James R. Sasser
569 U.S. Courthouse
Nashville, TN 37203

Dear Senator Sasser:

It is my understanding through the Knoxville Chamber of Commerce that endeavors are being made by yourself and other members of the Senate and House of Representatives from the East Tennessee area to strive for improvement in air service to Knoxville.

On behalf of Standard Knitting Mills and the business community in general, I would like to make my plea for better service to this area. In the type of business that we are engaged in it is necessary that our sales people and customers commute from Knoxville to major market areas in the United States - such as New York and Washington, D. C. With the type of service which we are currently receiving in Knoxville it is very difficult, if not impossible, to commute to these cities and return on a one day schedule which would be most advantageous.

Knoxville and East Tennessee happens to be one of the best places in the world to live, raise a family and operate a business but with the type of air service we receive some times it makes it difficult to do the later. Again, I solicit your support for all businesses located in East Tennessee in order to improve the air service to Knoxville.

Very truly yours,

Randall Chestnut

RC:pb

TENNESSEE AIRWAYS
Knoxville Metro Airport
Alcoa, Tennessee 37701 • (615) 970-3100

Senator Jim Sasser
Washington, D.C. 20510

May 30, 1985

Dear Senator Sasser:

As a party deeply interested and involved in air service at Knoxville, I would like to submit for your consideration some historical and statistical information on the ONLY AIRLINE SOLELY DEDICATED TO SERVING THE TENNESSEE VALLEY -- TENNESSEE AIRWAYS.

When Tennessee Airways first responded to the need for an airline DEDICATED to meeting the REGIONAL air transport needs of the Tennessee Valley, there were approximately 3400 scheduled airline flights each month, of which 600 were TENNESSEE AIRWAYS flights.

Today, TENNESSEE AIRWAYS serves Knoxville with THIRTY-FOUR daily flights (next closest carrier, Delta with eight) to and from a total of SEVEN cities (Nashville, Chattanooga, Tri-Cities, Charlotte, London-Corbin, Lexington and Washington, D.C.) (next closest carrier, United with two). Since 1978 we have enjoyed the steady support of the people of Tennessee while MORE THAN A DOZEN competitors have come and GONE throughout our route system.

We remain DEDICATED to meeting the regional transportation needs of the people of the Tennessee Valley. Our willingness to respond has not been limited by size of aircraft or distance of destination. Since 1978 we have spent close to TEN MILLION DOLLARS for new AIRCRAFT, growing from six seats to twenty seats --- and have on order TWENTY MILLION DOLLARS in 30 seat aircraft to meet future needs.

When service to Washington, D.C. was suspended by United last October, we responded with only 30 days notice by instituting three daily round trips, non-stop to Washington --- with not a single day's loss of service for Knoxville. Based on economic realities, the operation of a 140 passenger jet between Knoxville and Washington is simply not feasible --- for ANY airline. Condemnation of an airline for operating a 140 passenger aircraft between Washington and New York instead of Washington and Knoxville displays commendable spirit, but little appreciation of basic economics. This does NOT mean that this service is not feasible for an aircraft of appropriate size. Our flights have provided comfortable, reliable transportation to and from Washington during the past six months for hundreds of satisfied customers, who have enjoyed the absence of ticketing and baggage hassels inherent to larger aircraft --- and have consistently PRAISED the EASY access to and from Dulles airport.

A similar situation existed between Knoxville and Nashville in 1977. One hundred twenty passenger jets flew twice daily roundtrips --- with mostly empty seats --- and the community complained of lack of service. Today Tennessee Airways provides FOURTEEN DAILY FLIGHTS between Knoxville and Nashville, providing the BEST SERVICE ever. With your support, Knoxville-Washington service can grow to a similar level.

We stand ready and willing to meet the regional air transportation needs of Knoxville and the Tennessee Valley.

Yours truly,

Stuart E. Adcock
President

THE CITY OF KNOXVILLE, TENNESSEE

KYLE C. TESTERMAN
MAYOR

May 27, 1985

The Honorable James Sasser
United States Senator
298 Russell Senate Office Building
Washington, D. C. 20510

The Honorable Albert Gore, Jr.
United States Senator
1131 Longworth House Office Building
Washington, D. C. 20515

The Honorable John J. Duncan
United States Representative
2458 Rayburn House Office Building
Washington, D. C. 20515

Gentlemen:

I am writing concerning a matter which began as an annoyance, but one which is rapidly becoming a financial detriment and philosophical embarrassment to Knoxville. The matter to which I refer is the lack of adequate commercial air carriers servicing the Knoxville Municipal Airport.

As you well know, the availability of reasonably accessible transportation is a primary factor considered by any potential business developer or major employer. The simple fact is that Knoxville cannot offer that reasonably accessible transportation, and such a situation adversly affects our position in the market place.

The Metro Knoxville area has a population of 587,000 with a potential labor force of 239,000, and we must do everything in our power to insure that the opportunity for employment is present. That includes providing the business community with the necessities and amenities required to make Knoxville a viable competitor for development.

No one believes more strongly than do I in the concepts of governmental de-regulation and free market determination, but I believe equally strongly in the responsibility of public access agencies to respond to the needs of those they were allegedly formed to serve. Airlines are in reality a quasi-utility, and as such must be required to treat the public equitably. We very simply cannot allow entrepreneurism to determine which areas will or will not receive responsible service.

The Metro Knoxville area has the potential for unprecedented growth, and to allow a dearth of basic service to subvert this potential would cause us to do a disservice to those who elected us to represent their interests. On behalf of all the people of Metro Knoxville I call on you to use the inherent powers of your office to influence a more responsible attitude on the part of the air carriers.

Yours very truly,

Kyle C. Testerman

Kyle C. Testerman
Mayor

THE INDUSTRIAL DEVELOPMENT BOARD
OF BLOUNT COUNTY, TENNESSEE

May 30, 1985

The Honorable James Sasser
The Honorable Albert Gore, Jr.
The Honorable John J. Duncan
United States Congress

Gentlemen:

On behalf of the Industrial Development Board of Blount County, I would like to commend each of you for taking the time to investigate improved air service for McGhee Tyson Airport. Your involvement with this public hearing held here today is indicative of your concern for the economic future of our region and we appreciate this concern.

At the Industrial Development Board's last meeting, our members voted unanimously to support all efforts to improve air service for our region. With three industrial parks located in Blount County, it is extremely important that we work to maintain the highest possible level of air service to our area to take care of not only our existing industry's needs but also to recruit new industry.

Again, we appreciate your involvement in this issue and we look forward to working with you to make our region a better place to live and work.

Sincerely,

William Proffitt, President
Industrial Development Board

WP/mat

309 South Washington Street • Maryville, Tennessee 37801
(615) 983-7715 • Telex No. 551883

WE'VE GOT CHARACTER

THE KNOXVILLE JOURNAL
A GANNETT NEWSPAPER
P.O. BOX 911
KNOXVILLE, TENNESSEE 37901

RONALD D. McMAHAN
Editor

May 24, 1985

Honorable James Sasser
United States Senator
298 Russell Senate Office Building 10
Washington, DC 20510

Dear Senator Sasser:

Thank you for showing your interest in restoring direct air service between Knoxville's McGhee Tyson Airport and National Airport in Washington.

The lack of such service is crippling to this city and our region. I feel it to be a disgrace.

When I first went to Washington in 1970 to work for U. S. Senator Howard Baker, there were six direct flights daily between Knoxville and Washington National. As you know, Knoxville has become much more of a metropolitan center for East Tennessee and even more of a transportation hub in those 15 years.

The abandonment of Knoxville by United and American Airlines on that route stings us badly. I believe that Delta Air Lines, which provides much of our current service on major routes, should be considered the carrier with the greatest responsibility to connect Knoxville with Washington National without the delay and aggravation that traveling through Atlanta represents.

Although Delta and other majors have devoted some study to the McGhee Tyson/ National Airport link they remain only apologetic. Nothing has given us any indication that the service will be taken up in the near future.

Anything you can do to stimulate action to restore this vital service to our community and the people of East Tennessee will be greatly appreciated.

Sincerely,

Ron McMahan

Ronald D. McMahan
Editor

RDM/sp

The Knoxville News-Sentinel

May 29, 1985

U.S. Senator James Sasser
298 Russell Senate Office Building 10
Washington, D.C. 20510

Dear Senator Sasser:

As a relative newcomer to East Tennessee, I have been vividly impressed with the beauty of the area. Geographer Robert Pierce of New York has rated Knoxville as one of the two most livable cities in the United States. Anyone living here for many years as well as the new arrivals can attest to the accuracy of Mr. Pierce's findings.

It actually is amazing that Mr. Pierce was able to reach his conclusion because he may have made an entirely different decision if he had attempted to fly to Knoxville from his campus at Cortland, NY. He would have given up in absolute despair.

It is difficult to fly to Knoxville unless you want to come by way of Chicago, Charlotte, NC, or Atlanta, and enjoy waiting at airports. A Scripps Howard business associate flew to Knoxville this week to discuss News-Sentinel business. It took her nearly eight hours fly from Albany, New York, to Knoxville. She left Albany at 8:55 a.m. and went to Washington, D.C. to Charlotte to Chattanooga to Knoxville, arriving at 4:45 p.m.

Unfortunately, these roundabout travel patterns are all too familiar to Knoxville-bound travelers. Such travel difficulties can only cause vast problems to the economic development of this area. In addition, the United Airlines strike again shows the vulnerability of Knoxville when it comes to air service.

Knoxville needs direct air service to key American cities such as Washington, D.C. and New York, bypassing hub cities. Our high technology link is one of the foremost reasons we need a non-stop air service to the nation's capital. Anything you can do to help Knoxville get better air service would be a tremendous boom to East Tennessee.

Warmest regards,

Harry Moskos

A SCRIPPS HOWARD NEWSPAPER

MAXIMA

The MAXIMA Corporation • 4350 East West Highway • Suite 900 • Bethesda, Maryland 20814 • 301/951-9350

May 28, 1985

Dear Senator Sasser, Senator Gore, Congressman Duncan:

The deterioration of air transportation between Washington, D.C. and McGhee Tyson Airport has significantly altered my ability to do business in East Tennessee. Although The MAXIMA Corporation is headquartered in Bethesda, Maryland, our largest regional office is in Oak Ridge, Tennessee, and I spend a good portion of my time in the Knoxville/Oak Ridge area.

Knoxville's lack of adequate air transportation has had a serious negative impact upon my entire schedule. No longer am I able to spend one day attending to business in my Oak Ridge office--I now spend an average of 10 hours traveling back and forth and waiting in airports for connecting flights, which makes every trip to East Tennessee a 2-3 day one. The sacrifice in time away from other important priorities is too severe--it is a definite deterent in terms of MAXIMA's plans for expansion in Tennessee.

MAXIMA is very committed to doing business in East Tennessee, but I must say that a less committed company which is considering opening an office here would have difficulty justifying an expansion into such a "remote" area, with regard to transportation. From an economic development standpoint, I think this is the worst blow dealt to Knoxville thus far. At a time when a stated regional priority is the development of high technology industry, I find it incomprehensible that there is no direct flight between here and the nation's capital.

In conclusion, I feel certain that this terrible inconvenience is causing many people who would otherwise be attracted to the lovely amenities which this area offers to rethink their attraction to Knoxville and Oak Ridge. I hope that you will work quickly to overcome a problem which has the potential for completely stifling growth in an otherwise promising area.

Sincerely,

Joshua I. Smith
President

The University of Tennessee

PRIMARY CAMPUSES:
Knoxville
Memphis
Martin
Chattanooga

Office of the President

Suite 800, Andy Holt Tower
Knoxville 37996-0180
Telephone 615 / 974-2241

May 24,1985

Senator James R. Sasser
SR-298 Russell Senate Office Bldg.
Washington, DC 20510

Dear Jim:

On behalf of the University of Tennessee and myself, I appreciate very much the continuing interest which you, Senator Gore, and Representative Duncan have shown in reestablishing direct airline service between Knoxville and Washington, DC. I am very sorry that a previous commitment will not permit me to testify in person before the Budget Committee hearing which you will be conducting in Knoxville on May 30. As you know, we are anxious to assist you in every way possible in this important undertaking.

As a major research university, we are heavily dependent upon federal research support. Last year about $20 million was invested by the federal government in research at the Knoxville campus of the University of Tennessee. Maintaining and building upon that research base is essential to both the present and future economy of this area, the state, and the nation.

If we are to keep the kind of contact which is necessary to this enterprise and to the many other ways in which the University is involved with Washington, quick, easy and economical air transportation between Knoxville and Washington and other major centers in the Eastern part of this country is essential.

The loss of direct service to Washington has been devastating to us in two major ways. First, the cost of flight service has gone up dramatically. When United provided direct service, the maximum fare between the two cities was $270 and with minimum effort, this could be reduced to $217. At present, maximum fare is $420 and securing lower fares requires long lead time and greater certainty about schedules than is generally available to the business traveler. Second, time required for the flight went

from just over one hour to a minimum of two and a half hours. Given present schedules and the required flight times, it is extrememly difficult to make a one day trip which greatly increases the cost of travel.

If it would be helpful to you and your committee, we will be happy to have our financial office prepare information for you which will show accurately the increased costs associated with this change.

Again, we appreciate your work on our behalf.

Sincerely yours,

Ed

Edward J. Boling
President

EJB:wnl

Knoxville, Tennessee 37901

May 29, 1985

Honorable James Sasser
United States Senator
Washington, D.C. 20510

Honorable Albert Gore, Jr.
United States Senator
Washington, D.C. 20510

Honorable John J. Duncan, Sr.
U. S. Representative,
Second District
Washington, D.C. 20510

Gentlemen:

I appreciate very much the opportunity to share with you my opinions with reference to direct airline transportation from Knoxville to Washington, D. C. It is believed that this is a very necessary service to many in our business community, and would certainly enhance opportunities for business involvement, in not only Knoxville but connections with businesses in the Nation's Capitol. You have been most helpful to the Knoxville business community in the past, and your continued efforts and considerations in this regard will be very much appreciated.

Sincerely,

David L. Macon,
President

13-30 Corporation

NICHOLAS GLOVER
President CEO

May 30, 1985

Senator James Sasser
Senator Albert Gore, Jr.
Representative John J. Duncan
UNITED STATES CONGRESS
Washington, DC

Gentlemen:

Convenient air service is an important ingredient in the economic vitality of any community. In Knoxville, that ingredient is particularly important in taking advantage of our strategic location to two-thirds of the United States marketplace.

13-30 Corporation, based here in Knoxville, is particularly sensitive to the needs of convenient, direct air service for our corporate headquarters' staff. Our Company's interests extend throughout the United States, and the ability to reach key cities such as New York and Washington, DC on a timely basis is crucial to the efficient operation of our Company.

As you may be aware, 13-30 Corporation is enjoying revenue and earnings growth of over 40% each year. We are proud of the potential impact this growth has on the economic development of Knoxville and East Tennessee. But, to continue this vitality, it is critical that we be able to reach our Fortune 500 Company clients, who are primarily based in New York, and our other key clients who are located in other major cities such as Washington, DC.

We are fearful that without a concerted effort to upgrade the direct air service available to Knoxville that our community's ability to attract high-tech companies, corporate headquarters, and other organizations that depend on air travel will be significantly diminished.

We are hopeful that you will use any means within your disposal to help Knoxville enjoy continued economic growth.

Sincerely,

Nicholas Glover

NWG/adk

GEORGE A. MORGAN
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

May 24, 1985

Senator James Sasser
Senator Albert Gore, Jr.
Representative John J. Duncan
Washington, D. C.

Gentlemen:

I would like to express to each of you my concern for the rapid deterioration of air service to Knoxville and especially the availability of flights to Washington.

I, along with other staff members of Valley Bank, average 8 to 10 trips to Washington monthly and a non-stop flight is very important to our Bank. The former United Airlines flight early in the morning and returning late in the afternoon was ideal for our purposes.

I strongly urge you to use your influence to help us secure a non-stop flight to Washington, not only for our convenience but for the economic benefits to our entire community. In my opinion, any city the size of Knoxville should have convenient schedules to all major cities in the nation in order to attract industry and retain the many excellent corporate citizens that have moved to this area because of our former air schedules.

Please call on me or any member of my staff if we may be of further assistance to you in solving this serious problem.

Yours very truly,

George A. Morgan

GAM:bp

May 28, 1985

Senator James R. Sasser
298 Russell Senate Office Building
Washington, D. C. 20510

Senator Albert Gore, Jr.
716 U. S. Courthouse
Nashville, TN 37203

Congressman John J. Duncan
318 Post Office Building
Knoxville, TN 37902

Gentlemen;

Our community deeply appreciates your extra effort in helping Knoxville and our satellite cities improve the quality and quantity of commercial air service provided us at McGhee Tyson.

Over the past few years we have completely lost our direct service to all major cities to where, at this time, we are forced to accept connections in Atlanta, Charlotte, or Memphis. Hopefully, your personal concern for these circumstances will result in the major carriers providing Knoxville with better connections and services.

Again, thank you for your personal involvement.

Sincerely,

H. Pat Wood

HPW:gan

WOOD PROPERTIES, INC. Suite 1300/Plaza Tower/Knoxville, Tennessee 37929/Telephone (615) 637-7777

REALTOR

Air Transport Association ata OF AMERICA

1709 New York Avenue, N.W.
Washington, D.C. 20006
(202) 626-4114

WILLIAM J. BURHOP
Senior Vice President
Government Affairs

May 24, 1985

Honorable Jim Sasser
United States Senate
Washington, D.C. 20510

Dear Senator Sasser:

Following up on my conversation with Lance Simmons of your staff, I want to advise you that the Air Transport Association will provide a statement in connection with your hearing on air transportation at Knoxville, scheduled for Thursday, May 30. As we discussed, this statement will present an overview of major air transportation developments in the post-deregulation period and will also note some developments in Tennessee.

As you are doubtless aware, some detailed information and statistics formerly available through the Civil Aeronautics Board are no longer available but we will do our best within the short deadline to provide information which we hope will be helpful to you.

Although we cannot provide a witness for your hearing, Mr. Archie Yawn, the ATA coordinator for airline activities in Tennessee, will attend the hearing as an observer and is prepared to respond to any questions you may have, either at the hearing or in providing information for your record.

Finally, if I can be of further assistance to you, please do not hesitate to let me know.

Sincerely,

William J. Burhop

Statement of the Air Transport Association
Before the
Budget Committee,
United States Senate
Hearings on the Impact of Airline Deregulation
Knoxville, Tennessee
May 30, 1985

In response to your request, the Air Transport Association, which represents U.S. scheduled airlines, is pleased to transmit this brief overview statement regarding the growth of air transportation in the period since air cargo was deregulated in 1977 and domestic passenger service in 1978. Information is also supplied concerning Knoxville and Nashville, to the extent available.

As you are well aware, deregulation as voted overwhelmingly by the Congress, focused exclusively on airline economic matters. All participants in the extensive deliberations agreed that safety could not and should not be deregulated.

It is noteworthy and gratifying that the period since deregulation has seen the achievement of the best safety record in commercial air transportation since the jet age began in 1958. We wish to underscore the fact that in the deregulated environment, as always has been true, safety is the paramount consideration of all airline people. That commitment must never change.

Concurrently with safety attainments in the period of deregulation, the airline industry has achieved record levels of service, highlighted by the carriage last year of

343 million passengers. This compares with 275 million in 1978, and the Federal Aviation Administration forecasts more than 400 million a year in 1988.

Also, it is relevant to point out that the post-deregulation period has seen an outstanding record of growth by the commuter airline industry, which last year accounted for more than 26 million passengers, large numbers of them moving by air from smaller communities in all parts of the nation.

Clearly, aviation is a major growth industry. Deregulation has helped spur this growth and the introduction of a wide variety of innovative services and fares. At present, about 80 percent of airline passengers are traveling on discount fares.

One important development under deregulation has been the build-up of numerous new hub airports providing increased accessibility to the air transportation system to and from large, medium and small communities. Some examples of these new hubs include Dayton, Ohio; Salt Lake City, Utah, and Charlotte, North Carolina among many others.

The growth of air transportation under deregulation has not been limited to passenger service. The state of Tennessee provides a striking example of new air cargo initiatives made possible by deregulation. Federal Express

operations at Memphis have been paralleled by similar growth in the air cargo field at other airports.

The growth of air transportation in recent years has been achieved despite some turbulence -- some of it recognized as inevitable and some of it caused by unforeseen factors.

When airline deregulation was voted, everyone recognized that the transition from 40 years of tight, utility-type government economic regulations to a competitive free-market system would inevitably create some transitional problems. There would be a need to adjust routes, to modify aircraft procurement plans, and to formulate new marketing techniques to meet public demand in the marketplace. Few other industries have undergone such a massive change in so short a period of time.

Not foreseen was the tremendous impact of soaring fuel costs -- from 12 cents a gallon to more than $1.00 a gallon -- and the shock of the illegal air traffic controllers strike of 1981, coupled with an extended period of recession.

Deregulation made it possible for airline managements to ease, somewhat, the sledgehammer blows of these events, and in the past several years to respond to public air transportation needs. Again, it is pertinent to emphasize the role of the commuter airlines in helping to assure that

our nation continues to enjoy the benefits of the world's finest air transportation system.

Many cities in the U.S. experienced a fall-off in numbers of flights offered immediately after deregulation, due to the combined effects of the transition, the national recession, and the other events mentioned above, including the skyrocketing price of jet fuel. Over the last several years, however, many of those cities that did experience a decline have seen service rebound. Eastern Tennessee is no exception.

According to Department of Transportation information available to us, Knoxville, for example, has recovered almost half of the number of departures it lost during the recession, with steady gains over the last two years. In fact, traffic gains at Knoxville were larger than the national average both for last year and since 1981, which was the service low-point for the city. Since that year, overall U.S. departures rose 3.5%. Knoxville departures grew 22.5%, according to DOT figures. These figures do not include commuter flights.

Similarly, the service level at Nashville grew more than 18%, according to DOT departure statistics. That far exceeds the U.S. departure growth rate for 1984 of 7.2%. We have attached for the committee's assistance, a computer analysis of departure data for these Eastern Tennessee

cities, as reported by the airlines to the former CAB and the Department of Transportation. (see attachments)

Not surprisingly, then, the traffic recovery at Knoxville and Nashville has paralleled, and in fact, bettered, the national air traffic trend.

The airlines are now seven years into deregulation and the transition to the new, highly competitive marketplace continues. Carriers continue to restructure their route systems and service patterns within the national air transportation system.

It is not an entirely open marketplace, however, in which these carriers now operate. In fact, in some instances, airport access problems are shaping up as a crucial stranglehold on this new marketplace. So although airlines are now free of the original CAB-imposed economic regulation, they face regulatory-like constraints that severely affect their other marketplace decisions.

An example of this type of restraint is the lack of airport capacity at certain airports around the country. At many of these airports, access is controlled by slot mechanisms -- ways of allocating in a reasonably equitable fashion this limited resource. At the so-called High Density airports in the East, including the federally owned and operated airports in Washington, D.C., airlines must utilize the limited number of slots available to them in the

most economic manner, sometimes necessitating restrictive city-pair decisions.

It is clear that if measures are not taken soon to improve capacity at the nation's leading airports, airlines will be faced with many more tough service decisions.

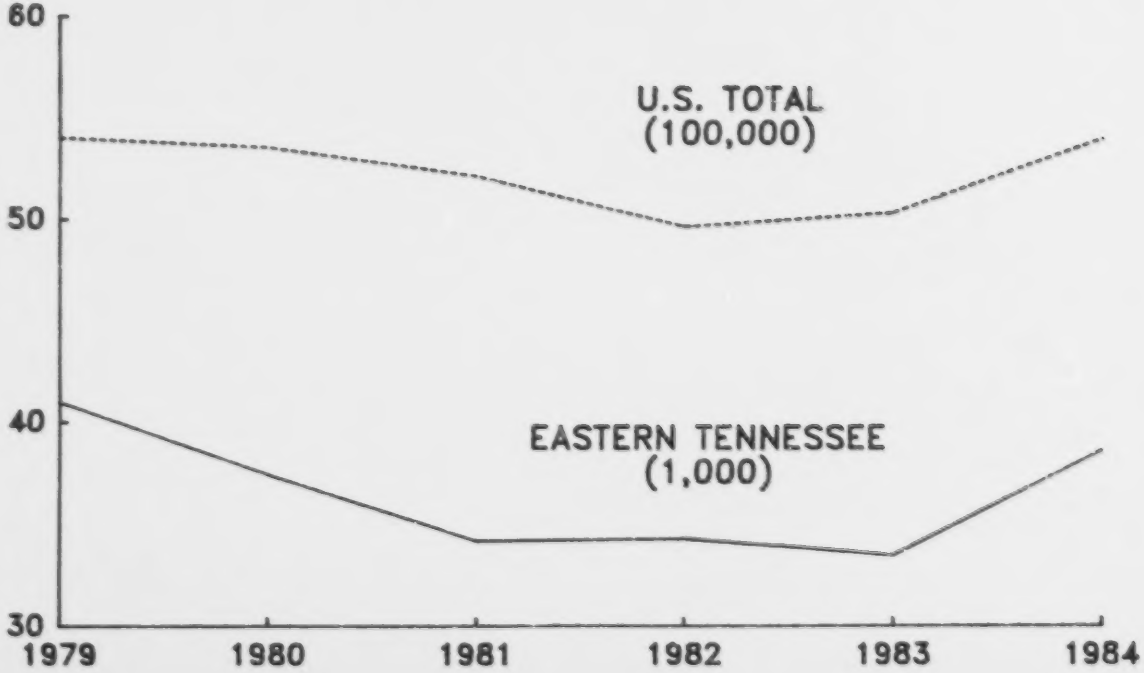
In an effort to solve some of the near-term issues, ATA prepared and presented to the FAA a detailed plan of improvements for 22 of the busiest airports. The plan called for a two-year, $240 million program of equipment procurement and limited airfield construction to enhance all-weather capability at the airports. The money to pay for the capacity improvements has already been paid by airline passengers and shippers through ticket and waybill taxes into the Aviation Trust Fund. The Trust Fund currently has an uncommitted balance of more than $3 billion dollars. Initial FAA reaction to the ATA proposal has been positive. Work is continuing now to get the funds for the project, a good deal of which is already in the planning stages at FAA, either newly authorized or reprogrammed from existing accounts.

ATA asks the committee's support for this plan as a means of ensuring that vital near-term air transportation needs are met while the industry and airline passengers and

shippers across the country await the promised benefits of the long-term National Airspace System Plan.

We thank the committee for the opportunity to offer this statement. If ATA can be of further assistance to the Committee and its members, we stand ready to help.

DEPARTURES
Knoxville and Nashville Compared to the National Total



ATTACHMENT B

KNOXVILLE AND NASHVILLE DEPARTURES
COMPARED TO THE NATIONAL TOTAL

	KNOXVILLE	NASHVILLE	U.S.
1979	11,009	29,981	5,399,652
1980	9,162	28,268	5,352,927
1981	8,278	25,884	5,211,867
1982	9,619	24,693	4,963,794
1983	9,362	24,106	5,033,906
1984	10,142	28,496	5,396,766

STATEMENT OF
THE DEPARTMENT OF TRANSPORTATION
TO THE SENATE BUDGET COMMITTEE
ON THE LOSS OF AIR CARRIER SERVICE
BETWEEN WASHINGTON NATIONAL AIRPORT AND KNOXVILLE
MAY 30, 1985

The Department of Transportation would like to thank you for the opportunity to contribute to this examination of the circumstances and implications of United Airlines' decision to eliminate its service between Knoxville and National Airport in Washington. In particular, you have asked that the Department's role in this matter be discussed. It is in this context, Mr. Chairman, that you and other representatives of East Tennessee and Northern Alabama have requested that the Department provide slots at National Airport to Eastern Air Lines in order that they might initiate service to Knoxville and Huntsville.

First, let us be clear about what has taken place. United Airlines has decided that for what it considers to be sound business reasons it would no longer operate its round trip, non-stop service between Knoxville and Washington National Airport. Eastern Air Lines has subsequently offered to initiate service to Knoxville from Washington National, provided they are given additional slots to do so.

Slots, or reservations for arriving or departing aircraft, are necessary at four airports (Chicago O'Hare, Washington National, and Kennedy and LaGuardia in New York) because the demand for

service at those airports substantially exceeds the ability of the air traffic control system to handle flights at those airports without undue delays. These limitations have been in effect since 1968 when the Federal Aviation Administration imposed the High Density Traffic Airports Rule, 14 CFR 93.121 et seq.

The Department's authority to impose these restrictions stems from its authority under section 307 of the Federal Aviation Act, 49 U.S.C. 1348, to promulgate rules and regulations to ensure the safe and efficient use of the navigable airspace.

Under the High Density Rule, operating restrictions have been established for three classes of users — air carriers, scheduled air taxis and other users. An air carrier operation is defined as one which uses aircraft with 56 or more seats and an air taxi operation is defined as one which uses aircraft with less than 56 seats. At Washington National, 37 air carrier operations and 11 air taxi operations are permitted each hour. A slot is necessary for each take-off and landing.

Although the High Density Rule imposes limits on the total number of permissible operations and allocates an aggregate number of slots to the various classes of users, the regulation does not assign slots to the specific users. Rather, the allocation of these slots has been performed by airline scheduling committees comprised of those carriers that serve the High Density airports,

as well as potential new entrants. The scheduling committees operate under antitrust immunity that was first granted by the Civil Aeronautics Board in Order 68-12-11. The committees continue to operate under authority that the Department inherited with the sunset of the CAB at the beginning of this year.

Since their inception, the scheduling committees have been required to operate under various restrictions to ensure that their actions will not be unduly anticompetitive. For example, the committees have been prohibited from discussing markets. The committees thus can not require that service be provided over specific routes. Carriers obtaining slots are free to use them in any market they choose.

Under the scheduling committee arrangement, the economic decisions — which markets to serve — are made by the airlines and not by federal regulators. While the Department agrees that it has the underlying authority to control the use of slots if the airline scheduling committees are unable to agree upon an allocation, we must exercise that authority in a manner that is consistent with other federal statutes and is not arbitrary or capricious.

The deregulation of the airline industry has had a number of important effects on demand for slots at the controlled airports and, as a consequence, on the scheduling committee activities. First, it has allowed new carriers, like People Express and New

York Air, to come into being, thus increasing the demand for the scarce slots. Second, it has freed existing carriers to make route changes in response to business conditions, thereby creating pressures to change the rather static distribution of these slots that predated deregulation. Third, deregulation has allowed the practice of "hubbing" by the carriers to expand dramatically. While hubbing is an efficient way to operate an air transportation service, it can place great pressure on the system by exacerbating the natural peaking which characterizes air travel demand. It can also result in nonstop service being replaced with connecting service.

Clearly, deregulation has had a major impact on many phases of the air transport industry, as well as on the operation of the High Density airports. Prior to deregulation the air carrier industry could be best characterized as a protected, cost plus profit, service industry. What this means is that because of the protections offered by the regulatory process, airlines were assured that they would be compensated for the cost of operating their services plus some profit margin.

Moreover, since price competition was effectively precluded by the regulatory structure, the carriers were forced to compete on the basis of service, amenities and equipment, thus elevating costs still further. In effect, regulation confined the market for air transport service to the high cost, high service end of the spectrum rather than encouraging an offering of services across the full range of costs and prices.

Another major effect of regulation was to impose a particular pricing structure on the industry. In order to ensure service at what the regulators determined were acceptable prices, fares were established that made up losses in shorter, less dense markets by overcharging travelers in longer, more heavily traveled markets. The entire nation suffered from economic inefficiencies caused by the cross-subsidization.

Deregulation was intended to correct these shortcomings by allowing freer entry into the industry and by eliminating the restrictions on the carriers' ability to set prices and enter and leave markets in response to business and economic considerations. We believe, and the evidence indicates, that these objectives have, in fact, been attained.

By all of the measures the Department has available -- service, traffic, price and industry condition -- deregulation has been a resounding success for the nation as a whole. We know that certain individual communities have seen their airline service reduced, but on the whole service is better. On average there are more flights available than before deregulation -- thirty-two percent more flights overall to all airports than prior to deregulation. And all categories of airports -- from large hubs to non-hubs -- show increases. In the state of Tennessee weekly scheduled flights are up by nearly nineteen percent since deregulation took effect, and here in Knoxville flights have increased by twenty-eight percent.

While regular fares (first class and coach) have increased since deregulation, passengers now have a wide variety of discount fares that were not available before. Prior to deregulation thirty percent of air travelers flew under discount rates; now eighty percent are able to take advantage of discounts. The average actual fare paid by passengers has increased significantly less since 1978 than the Consumer Price Index or than it would have under the old regulatory approach.

This has meant that whole new classes of travelers — the young, the elderly and students — are flying. A recent Department of Transportation study shows that revenue passenger miles are now 17 percent higher than they would have been under the continuation of airline regulation.

And how has the industry fared under deregulation? On the whole quite well. The air carrier industry is coming off a record year in 1984 for both passengers and freight carried. Operating profits for the industry amounted to a new record of over two billion dollars.

At the Department of Transportation, we must look at the impact the nation as a whole. And we believe that the nation has benefited substantially from airline deregulation. A study by the American Association of State Highway and Transportation Officials concludes that the traveling public saved ten billion dollars in the first five years of airline deregulation.

The particular problem we face today is more specific — that of service between Washington National Airport and Knoxville and the propriety of the Department of Transportation taking action to ensure that service. The Airline Deregulation Act precludes the Department from regulating routes; thus, the Department cannot require that slots allocated to a carrier be used for the purpose of serving any particular route. The fact that Eastern is the largest carrier at National Airport, with about one-fifth of the total available slots, makes the development of any reasonable rationale for providing additional slots to it even more difficult. It is within Eastern's discretion to decide how many of its existing slots it should allocate to Knoxville service.

The Department certainly appreciates the reasons that the communities of Knoxville and Huntsville want to see the service which they enjoyed from United Airlines continued. By the same token we believe the experience of deregulation is continuing proof that the Nation benefits when business decisions are left to the market and to the businesses serving those markets.

Even now the market is adjusting to the perceived need for service between Knoxville and Washington. Two airlines have initiated new one-stop flights from National to Knoxville, and new one-stop service is available to Knoxville from both Dulles and Baltimore/

Washington International Airports. We believe that, given time, the market will make the most appropriate and efficient allocation of the resources available to it.

The Department would like to thank you for the opportunity to present its views on this issue.

Congressional Research Service
The Library of Congress

Washington, D.C. 20540

May 21, 1985

TO : Honorable Jim Sasser
Attention: Rosemary Warren

FROM : John W. Fischer
Analyst in Transportation
Economics Division

SUBJECT : Airline Fares and Service Between Knoxville and Major Destinations Since Deregulation

This memorandum will briefly examine Knoxville's overall experience with air service since airline deregulation began in 1978. In accordance with your request, this memorandum will provide detailed information on fares and service between Knoxville and selected major destinations.

Knoxville is classified by the Federal Aviation Administration (FAA) as a small hub airport (a community emplaning from 0.05 to 0.24 percent of total U.S. emplaned passengers). During the course of 1983, Knoxville emplaned 0.12 percent of all United States revenue passengers (394,620 emplaned passengers) on 9,386 total aircraft departures. 1/ This compares with 0.18 percent of all revenue passengers (476,799 emplaned passengers) on 12,145 departures in 1978. 2/

Another measure of airline service using departures (weekly) and total seats (weekly) is detailed in table 1. This measure shows that Knoxville's experience with deregulation has been mixed. Comparing the 1978 and 1984 figures

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1/ U.S. Department of Transportation. Federal Aviation Administration. Statistical Handbook of Aviation, Calendar Year 1983. p. 74.

2/ Ibid. 1978 edition. p. 34.

Table 1. Airline Service from Knoxville, Tennessee

	July 1978*	Dec. 1983*	Dec. 1984**	% Change 1983-84	% Change 1978-84
Departures (no./week)	232	328	313	-(4.5%)	34.9%
Seats (no./week)	23,119	26,426	21,883	-(17.25)	-(5.4)

* Civil Aeronautics Board. Report on Airline Service, Fares, Traffic, Load Factors, and Market Shares, appropriate edition, compiled quarterly.

** U.S. Department of Transportation. Phone conversation with Ron Hilgert, 426-5950.

shows an increase in departures accompanied by a decrease in total seats. This probably indicates increased activity at the airport by regional airlines. These airlines use much smaller aircraft to provide service than the major and national air carriers they normally replace or augment. This growth in regional airline activity is a common development at small hub airports as a result of deregulation.

Table 1 also shows that service at the airport has declined over the last year using both measures. It is not possible from this vantage point to identify the cause of this decline. A reduction in service by one or more carriers of only 15 or so departures a week could account for such a decline.

Knoxville's experience with direct service to major destinations also seems mixed. For the 7 markets shown in table 2, the number of direct flights increased in 2 and decreased in 5. Increases occurred only in destinations in the South, while the greatest loss of direct service occurred in the West and Southwest.

In our telephone conversation, you expressed particular interest in service between Knoxville and Washington. Table 2 does not reflect a significant drop in

direct service between these two communities. Between 1978 and the present, however, there has been a major change in the Washington-based airport origin of Knoxville air service. In 1978, all five direct flights to Knoxville originated at National Airport. In 1985, only one flight (Piedmont) originates from National.

TABLE 2. Direct Airline Service to Knoxville, Tennessee From Selected Major Destinations*

	---- September 1, 1977 ----		------- May 15, 1985 ------	
To Knoxville From	# of Flights	Distribution by Airline	# of Flights	Distribution by Airline
Atlanta	8	Delta	10	7 - Delta, 3 - Eastern
Chicago	5	Delta	3	United
Dallas-Ft. Worth	3	American	1	Republic
Los Angeles	3	2 - United, 1 - American	1	Republic
Memphis	7	3 - Southern, 2 - United, 2 - American	9	6 - Republic, 2 - United, 1 - USAir
New York	3	United	2	1 - Piedmont, 1 - USAir
Washington	5	3 - United, 2 - Piedmont	4	1 - USAir, 2 - Piedmont, 1 - Tennessee Airways

Source: Official Airline Guide. North American Edition. Oak Brook, Ill., Official Airline Guides, Inc. Date as appropriate.

Of the three remaining flights, two originate at Dulles (USAir and Tennessee Airways) and one at Baltimore Washington International Airport (Piedmont). This obviously results in delays in ground transportation to downtown Washington that did not exist prior to deregulation.

Examination of the Official Airline Guide (OAG) shows an increase in the number of connecting flights in all but one of the market pairs listed in table 2. Some of these increases are dramatic. For example, the September 1, 1977 OAG shows 3 connections between Knoxville and Chicago, while the May 15, 1985 edition shows 19. Some of these connections can, of course, be regarded as circuitous. They do, however, provide an option to the traveler, sometimes at fares lower than those available on direct flights.

In accordance with your request, we have examined changes in the direct fares since deregulation, for the selected market pairs. Our fare selection process employs the same procedures as those used in CRS Report no. 84-38 E, Airline Fare and Service Experience in Selected City Pair Markets Since Deregulation, dated March 8, 1984, with which you are already familiar. All caveats listed in that report also apply to the fare information presented here.

Fare information is presented in table 3. All standard coach and first class fares have increased faster than the rate of inflation. The experience with discount fares, all of which have scheduling or use restrictions, is quite different. Only one fare in the discount category (Atlanta-Knoxville) has increased at a rate greater than inflation. Discount fares in the remaining six market pairs show changes substantially below those that could be expected as a result of inflation.

Some airline analysts believe that fares at small hub airports have been adversely affected by deregulation. The reasons for this vary and there are several small hubs that are exceptions. Knoxville, like numerous other small hubs, lacks service from a low-cost competitor, such as People Express or Continental. These

Table 3. Airline Fares (Direct Flights) To Knoxville From Major Destinations

To Knoxville From	September 1, 1977		May 17, 1985 *	% Change 9/1/77 to 5/15/85	Inflation-Adjusted % Change 9/1/77 to 5/15/85**
Atlanta	F (First Class-One Way)	$48	146	204.2%	130.9%
	Y (Standard Coach-One Way)	32	112	250.0	176.7
	D (Discount-Round Trip)	48	122	154.2	80.9
Chicago	F	98	291	196.9	123.6
	Y	63	194	207.9	134.6
	D	101	98	-3.0	-76.3
Dallas	F	133	316	137.6	64.3
	Y	86	243	182.6	109.3
	D	129	158	22.5	-50.8
Los Angeles	F	275	NA	NA	NA
	Y	169	416	146.2	72.9
	D	253	258	2.0	-71.3
Memphis	F	76	219	188.2	114.9
	Y	51	146	186.3	113.0
	D	82	98	19.5	-53.8
New York	F	118	NA	NA	NA
	Y	76	221	190.8	117.5
	D	129	138	7.0	-66.3
Washington	F	91	273	200.0	126.7
	Y	59	206	249.2	175.9
	D	94	98	4.3	-69.0

NA - Not Available

* Assumes open date travel.

** Uses Consumer Price Index data for the period 9/1/77 (184.0) to 3/83 (318.8). Inflation adjustment for period 73.3 percent.

Sources: Official Airline Guide for September 1, 1977. Electronic Edition of the Official Airline Guide for May 17, 1985.

carriers, it has been shown, exert downward pressure on most fares where they compete. Until low-cost competition appears in the market, there is normally little incentive for major and national carriers to reduce first class or standard coach fares.

Before leaving the subject of fares, it is important to remember that table 3 only looks at three basic types of fares. Deregulation has spawned a myriad assortment of fares. For example, on May 17, 1985, the electronic edition of the OAG showed 33 different possible fare classes in the Washington-Knoxville market. Most of these fare classes carry restrictions. Some of these restrictions, however, are quite minimal. It is therefore possible to travel at numerous fare levels between those shown for standard coach and rock bottom discount. It is in this range, in fact, that most domestic tickets are now written.

If we can be of further assistance, please contact us at 287-7581.

gsd